





Digitized by the Internet Archive  
in 2022 with funding from  
University of Toronto

<https://archive.org/details/31761114706062>











## ONTARIO FINANCES

Quarterly Update  
June 30, 1993

Ministry of Finance

1993-94 First Quarter

**OPERATING DEFICIT** • The operating deficit, at \$6,115 million, is up \$52 million from Budget Plan.

3 months  
actual results  
and 9 months  
projected

Fiscal Summary (\$ Millions)	1992-93 Actual	Budget Plan	1993-94	
			Current Outlook	In-Year Change
Revenue	41,807	43,985	43,935	(50)
Operating Expenditure:				
Programs	44,822	42,898	42,900	2
Public Debt Interest	<u>5,293</u>	<u>7,150</u>	<u>7,150</u>	—
Total Operating Expenditure	50,115	50,048	50,050	2
<b>Operating Deficit</b>	<b>8,308</b>	<b>6,063</b>	<b>6,115</b>	<b>52</b>
Capital Expenditure	<u>3,592</u>	<u>3,096</u>	<u>3,094</u>	(2)
<b>Budgetary Requirements</b>	<b>11,900</b>	<b>9,159</b>	<b>9,209</b>	<b>50</b>

**REVENUE** • Forecast revenue for 1993-94 is \$43,935 million, down \$50 million from the Budget Plan.

- The decrease in revenue is mainly a result of weaker-than-expected Corporations Tax, Tobacco Tax and Land Transfer Tax receipts.
- As anticipated in the Budget Plan, revenue growth was weak in the first quarter due to the moderate pace of economic recovery. The revenue-raising measures introduced in the Budget will begin to increase Provincial revenues during the second quarter of the fiscal year.

**OPERATING EXPENDITURE** • The expenditure forecast, at \$50,050 million, is up \$2 million from Budget Plan.

**CAPITAL ACCOUNT** • Capital expenditure is down \$2 million from Budget Plan to \$3,094 million.

**1992-93 ACTUALS** • Unaudited actual results for last fiscal year indicated that Budgetary Requirements were down \$90 million from the interim level reported in the Budget.

- Revenue increased by \$8 million while Operating Expenditure was down \$23 million, Public Debt Interest declined \$57 million and Capital Expenditure was lower by \$2 million.

# Revenue

Table 1

		1993-94		
		Budget Plan	Current Outlook	In-Year Change
		(\$Millions)		
<b>TAXATION REVENUE</b>	Personal Income Tax <sup>1</sup>	14,315	14,315	-
	Retail Sales Tax	8,040	8,040	-
	Corporations Tax	3,120	3,090	(30)
	Employer Health Tax	2,700	2,700	-
	Mining Profits Tax	50	50	-
	Gasoline Tax	1,900	1,900	-
	Fuel Tax	460	460	-
	Tobacco Tax	910	900	(10)
	Land Transfer Tax	400	385	(15)
	Race Tracks Tax	85	85	-
	Commercial Concentration Tax	45	45	-
	Other Taxation	70	70	-
		32,095	32,040	(55)
<b>OTHER REVENUE</b>	LCBO Profits	620	620	-
	Vehicle/Driver Registration Fees	765	765	-
	LLBO Fees, Licences and Permits	500	500	-
	Other Fees and Licences	655	655	-
	Lottery Profits	555	555	-
	Royalties	270	270	-
	Utility Service Charges	175	175	-
	Sales and Rentals	1,020	1,020	-
	Fines and Penalties	175	175	-
	Recoveries	75	80	5
	Reimbursements	175	175	-
	Miscellaneous	60	60	-
		5,045	5,050	5
<b>FEDERAL GOVERNMENT PAYMENTS</b>	Established Programs Financing	3,862	3,862	-
	Canada Assistance Plan	2,371	2,371	-
	National Training Act	76	76	-
	Bilingualism Development	72	72	-
	Young Offenders	60	60	-
	Vocational Rehabilitation	66	66	-
	Other	338	338	-
		6,845	6,845	-
<b>TOTAL</b>		<b>43,985</b>	<b>43,935</b>	<b>(50)</b>

<sup>1</sup> Net Of Ontario Tax Credits.

## Performance

**REVENUE** As anticipated in the Budget Plan, first quarter revenue growth was weak. This reflects the moderate pace of economic recovery and the limited impact of the Budget's revenue-raising measures on first quarter receipts. However, several factors emerged during the first quarter to necessitate a small downward revision to the revenue forecast for 1993-94.

The revenue outlook for 1993-94 is \$43,935 million, down \$50 million from the Budget forecast. Factors responsible for this revision are:

- The forecast for Corporations Tax has been reduced by \$30 million as a result of higher-than-expected refunds and lower instalment receipts.
- The Tobacco Tax outlook has been lowered by \$10 million reflecting ongoing problems with tobacco tax collections.
- Land Transfer Tax revenue has been reduced by \$15 million as a result of a weaker-than-expected housing market.
- The additional \$5 million in Recoveries is mainly attributable to unanticipated revenue from the recovery of loans previously written off by the Ontario Development Corporation.
- Other major revenues sources such as Retail Sales Tax, Employer Health Tax and Gasoline and Fuel Taxes are on track with the Budget Plan.

**OPERATING EXPENDITURE** The current operating expenditure forecast of \$50,050 million is up \$2 million from the Budget Plan. Adjustments for the quarter ended June 30, 1993 are:

- The Contingency Fund transferred \$10 million to various ministries including the Ministries of Environment and Energy for implementation of the Environmental Bill of Rights, Solicitor General and Correctional Services for initiatives related to the Lewis Report and Transportation for Integrated Safety Program initiatives.
- Ministry of Health provided an additional \$2 million for Long-Term Care facilities operations fully offset from capital.
- Further information on Social Contract Savings will be provided following the implementation of the Social Contract Act.

## Operating Expenditure

Table 2

		1993-94		
		Budget Plan	Current Outlook	In-Year Change
			(\$Millions)	
<b>MINISTRIES</b>				
	Agriculture and Food	542	543	1
	Attorney General	735	736	1
	Board of Internal Economy <sup>1</sup>	131	131	-
	Citizenship	77	77	-
	Community and Social Services	8,884	8,884	-
	Consumer and Commercial Relations	176	177	1
	Culture, Tourism and Recreation	394	394	-
	Economic Development and Trade	366	366	-
	Education and Training	9,683	9,683	-
	Environment and Energy	411	412	1
	Executive Offices <sup>2</sup>	13	13	-
	Finance	460	460	-
	Contingency Fund	443	433	(10)
	Economic Development Projects	13	13	-
	Public Debt Interest	7,150	7,150	-
	Francophone Affairs, Office of	3	3	-
	Health	17,571	17,573	2
	Housing	1,032	1,032	-
	Intergovernmental Affairs	8	8	-
	Labour	215	215	-
	Management Board Secretariat	553	553	-
	Municipal Affairs	980	980	-
	Native Affairs Secretariat	18	18	-
	Natural Resources	529	530	1
	Northern Development and Mines	88	88	-
	Solicitor General and Correctional Services	1,190	1,193	3
	Transportation	759	761	2
	Women's Issues, Office Responsible for	24	24	-
	Expenditure Savings and Constraints	(400)	(400)	-
	Social Contract Savings	(2,000)	(2,000)	-
<b>TOTAL</b>		<b>50,048</b>	<b>50,050</b>	<b>2</b>

<sup>1</sup> Includes Office of the Assembly, Chief Election Officer, Ombudsman and Provincial Auditor

<sup>2</sup> Includes Office of the Lieutenant Governor, Office of the Premier and Cabinet Office



# Capital Plan

Table 3

		1993-94		
		Budget Plan	Current Outlook	In-Year Change
		(\$Millions)		
		jobsOntario Capital		
<b>MINISTRIES</b>	Agriculture and Food	16	16	-
	Attorney General	4	4	-
	Citizenship	11	11	-
	Community and Social Services	85	85	-
	Culture, Tourism and Recreation	65	69	4
	Economic Development and Trade	132	132	-
	Education and Training	18	18	-
	Environment and Energy	269	269	-
	Finance			
	Economic Development Projects	10	10	-
	Contingency Fund: jobsOntario Capital	27	23	(4)
	Health	89	87	(2)
	Housing	109	109	-
	Management Board Secretariat	206	206	-
	Municipal Affairs	14	14	-
	Native Affairs Secretariat	20	20	-
	Natural Resources	90	90	-
	Northern Development and Mines	225	225	-
	Solicitor General and Correctional Services	5	5	-
	Transportation	1,776	1,776	-
	In-Year Savings	(75)	(75)	-
<b>SUB-TOTAL</b>		3,096	3,094	(2)
<b>Non-Budgetary</b>				
<b>LOAN BASED</b>	Colleges and Universities	101	101	-
	School Boards	357	357	-
	Hospitals	150	150	-
	Crown Corporations			
<b>CROWN CORPORATIONS</b>	Clean Water Agency	62	62	-
	Ontario Realty Corporation	33	33	-
	Transportation Capital Corporation	101	101	-
<b>SUB-TOTAL</b>		804	804	-
<b>TOTAL</b>		3,900	3,898	(2)

Capital expenditure, at \$3,094 million, is down \$2 million from Budget Plan. Offsetting adjustments are:

- The Ministry of Culture, Tourism and Recreation received \$4 million from jobsOntario Capital for the Ontario Science Centre renovations including an Omnimax Theatre, and for an IMAX Theatre at Science North.
- The Ministry of Health transferred \$2 million to Long-Term Care facilities for operations.

# Financing

Table 4

		1993-94		
		Budget Plan	Current Outlook	In-Year Change
		(\$Millions)		
<b>REQUIREMENTS</b>	Operating Deficit	6,063	6,115	52
	Capital Deficit	3,096	3,094	(2)
	<b>Budgetary Requirements</b>	<b>9,159</b>	<b>9,209</b>	<b>50</b>
<b>FINANCING</b>	Debt Issues	11,093	11,147	54
	Retirements:			
	Canada Pension Plan	(607)	(607)	-
	Ontario Teachers' Pension Plan	(252)	(252)	-
	Public Service Pension Plan	(106)	(106)	-
	Public	-	(4)	(4)
	Other	(140)	(140)	-
		(1,105)	(1,109)	(4)
	Net Debt Issues	9,988	10,038	50
	Province of Ontario Savings Office and Other Liabilities	36	36	-
	<b>Net Financing</b>	<b>10,024</b>	<b>10,074</b>	<b>50</b>
<b>LOANS</b>	Net Loan Repayments (issues)	(1,115)	(1,115)	-
	<b>CASH</b>	<b>Decrease in Cash</b>	<b>250</b>	<b>-</b>
<b>ACCUMULATED DEFICIT</b>	<b>Increase in Accumulated Deficit</b>	<b>9,159</b>	<b>9,209</b>	<b>50</b>

\* Debt issues undertaken from the beginning of this fiscal year to June 30, 1993 totalled \$3,438 million: \$2,732 million in bonds and debentures and a \$706 million increase in Treasury Bills.





## ONTARIO FINANCES

Ministry of Finance

1993-94 Second Quarter

Quarterly Update  
September 30, 1993

- BUDGETARY REQUIREMENTS** • The Budgetary Requirements, at \$9,536 million, is up \$377 million from Budget Plan and \$327 million from first quarter results due to revenue shortfalls.

6 months  
actual results  
and 6 months  
projected

Fiscal Summary (\$ Millions)	1993-94			
	Budget Plan	Current Outlook	In-Year Change	Changes from First Quarter
Revenue	43,985	43,105	(880)	(830)
Operating Expenditure:				
Programs	42,898	42,700	(198)	(200)
Public Debt Interest	7,150	7,150	—	—
Total Operating Expenditure	50,048	49,850	(198)	(200)
<b>Operating Deficit</b>	<b>6,063</b>	<b>6,745</b>	<b>682</b>	<b>630</b>
Capital Expenditure	3,096	2,791	(305)	(303)
<b>Budgetary Requirements</b>	<b>9,159</b>	<b>9,536</b>	<b>377</b>	<b>327</b>

- REVENUE** • Estimated revenue for 1993-94 is \$43,105 million, a net decrease of \$880 million from the Budget Plan, and \$830 million below the level reported in the first quarter.

- The decline this quarter resulted mainly from a reduction to the outlook for Personal Income Tax (PIT) revenue. Preliminary tax assessment information received from the federal government for the 1992 tax year was lower than expected. This reduces the base for PIT growth in 1993-94.
- Other decreases reported this quarter are: Retail Sales Tax, Corporations Tax, Employer Health Tax, Tobacco Tax, Land Transfer Tax, Race Tracks Tax, Vehicle/Driver Registration Fees, Lottery Profits and Royalties. Increases in Established Programs Financing and Other Payments from the federal government partially offset these declines.

- OPERATING EXPENDITURE** • The expenditure forecast of \$49,850 million is down \$198 million from the Budget Plan and \$200 million from first quarter projections. This is due to an aggressive strategy to identify savings to partially offset the revenue shortfall.

- CAPITAL ACCOUNT** • Capital funding requirements are down a net \$305 million from Budget Plan at \$2,791 million because of project delays and improved management.

Table 1

		1993-94		
		Budget Plan	Current Outlook	In-Year Change
		(\$Millions)		
<b>TAXATION REVENUE</b>	Personal Income Tax <sup>1</sup>	14,315	13,900	(415)
	Retail Sales Tax	8,040	8,000	(40)
	Corporations Tax	3,120	2,900	(220)
	Employer Health Tax	2,700	2,670	(30)
	Mining Profits Tax	50	50	-
	Gasoline Tax	1,900	1,900	-
	Fuel Tax	460	460	-
	Tobacco Tax	910	840	(70)
	Land Transfer Tax	400	310	(90)
	Race Tracks Tax	85	75	(10)
	Commercial Concentration Tax	45	45	-
	Other Taxation	70	70	-
		32,095	31,220	(875)
<b>OTHER REVENUE</b>	LCBO Profits	620	620	-
	Vehicle/Driver Registration Fees	765	750	(15)
	LLBO Fees, Licences and Permits	500	500	-
	Other Fees and Licences	655	655	-
	Lottery Profits	555	535	(20)
	Royalties	270	255	(15)
	Utility Service Charges	175	175	-
	Sales and Rentals	1,020	1,020	-
	Fines and Penalties	175	175	-
	Recoveries	75	80	5
	Reimbursements	175	175	-
	Miscellaneous	60	60	-
		5,045	5,000	(45)
<b>FEDERAL GOVERNMENT</b>	Established Programs Financing	3,862	3,882	20
<b>PAYMENTS</b>	Canada Assistance Plan	2,371	2,371	-
	National Training Act	76	76	-
	Bilingualism Development	72	72	-
	Young Offenders	60	60	-
	Vocational Rehabilitation	66	66	-
	Other	338	358	20
		6,845	6,885	40
<b>TOTAL</b>		<b>43,985</b>	<b>43,105</b>	<b>(880)</b>

<sup>1</sup> Net Of Ontario Tax Credits.



## Performance

**REVENUE** The current outlook for revenue is \$43,105 million, a net decrease of \$880 million from the Budget Plan and \$830 million below the level reported in the first quarter. Major changes this quarter include:

- The outlook for Personal Income Tax (PIT) has been reduced by \$415 million based on preliminary tax assessment information received from the federal government. This information indicated that Ontario's PIT revenue for the 1992 tax year was lower than previously estimated. This lowers the base for PIT growth in 1993-94.
- The Retail Sales Tax forecast has been revised down by \$40 million due to slower-than-expected growth in the economy.
- Corporations Tax revenue has been lowered by \$190 million as a result of weaker-than-expected profits and continuing high refunds.
- The outlook for Employer Health Tax has been lowered by \$30 million due to slower-than-forecast employment and income growth.
- The Tobacco Tax revenue forecast has been reduced by \$60 million largely as a result of the ongoing tobacco smuggling problem.
- The Land Transfer Tax outlook has been revised downward by \$75 million reflecting the weak housing market.

**OPERATING EXPENDITURE** The current operating expenditure forecast at \$49,850 million is down from the Budget Plan and first quarter results by \$198 million and \$200 million respectively.

The reduction, which partially offsets the revenue shortfall, is due to anticipated savings of \$200 million resulting from the expenditure freeze. Other significant changes in the second quarter include:

- Expenditure decreases of \$209 million have been achieved and \$183 million were applied to the Expenditure Savings and Constraints target. The Ministry of Education and Training had expenditure reductions of \$94 million primarily due to cash flow management of the jobsOntarioTraining program and an advance in pension plan payments in 1992-93. The Ministry of Natural Resources also had savings of \$11 million, mainly because of reduced fire fighting costs due to the wet summer. Savings of \$74 million in the Contingency Fund were due to delays in implementing various programs and non-tax revenue initiatives as well as savings for the extra fire fighting program.
- A total of \$26 million in new funding was provided, fully offset from savings, including \$13 million for the Board of Internal Economy mainly for repairs and renovations to the Legislative Assembly. Other increases include the Ministries of Environment and Energy (Environmental Bill of Rights - \$1 million); Municipal Affairs (workload increases - \$2 million); and Transportation (revenue generating initiatives - \$4 million).
- \$22 million was transferred from the Contingency Fund to various ministries to provide funding for initiatives including the Ministry of the Attorney General to address workload pressures and to improve the operation of the courts (\$8 million) and the Ministry of Transportation for safety and service projects (\$10 million). In addition, \$60 million was transferred to the Ministry of Education and Training to establish the Ontario Training and Adjustment Board from the Ministries of Community and Social Services (\$32 million) and Labour (\$28 million).

## Operating Expenditure

Table 2

	Budget Plan	1993-94	
		Current Outlook	In-Year Change
		(\$Millions)	
<b>MINISTRIES</b>			
Agriculture and Food	542	543	1
Attorney General	735	744	9
Board of Internal Economy <sup>1</sup>	131	144	13
Citizenship	77	77	-
Community and Social Services	8,284	8,234	(50)
Consumer and Commercial Relations	176	177	1
Culture, Tourism and Recreation	394	398	4
Economic Development and Trade	366	366	-
Education and Training	9,663	9,661	(32)
Environment and Energy	411	412	1
Executive Offices <sup>2</sup>	13	13	-
Finance	460	463	3
Contingency Fund	443	337	(106)
Economic Development Projects	13	13	-
Public Debt Interest	7,150	7,150	-
Francophone Affairs, Office of	3	3	-
Health	17,571	17,570	(1)
Housing	1,032	1,032	-
Intergovernmental Affairs	8	8	-
Labour	216	185	(30)
Management Board Secretariat	553	553	-
Municipal Affairs	980	981	1
Native Affairs Secretariat	18	18	-
Natural Resources	529	519	(10)
Northern Development and Mines	86	87	(1)
Solicitor General and Correctional Services	1,190	1,192	2
Transportation	759	773	14
Women's Issues, Office Responsible for	24	24	-
Expenditure Savings and Constraints	(400)	(217)	183
Social Contract Savings	(2,000)	(2,000)	-
Expenditure Freeze Savings	-	(200)	(200)
<b>TOTAL</b>	<b>50,048</b>	<b>49,850</b>	<b>(198)</b>

<sup>1</sup> Includes Office of the Assembly, Chief Election Officer, Ombudsman and Provincial Auditor

<sup>2</sup> Includes Office of the Lieutenant Governor, Office of the Premier and Cabinet Office

# Capital Plan

Table 3

		1993-94		
		Budget Plan	Current Outlook	In-Year Change
		(\$Millions)		
		JobsOntario Capital		
MINISTRIES	Agriculture and Food	16	15	(1)
	Attorney General	4	3	(1)
	Citizenship	11	10	(1)
	Community and Social Services	85	78	(7)
	Culture, Tourism and Recreation	65	51	(14)
	Economic Development and Trade	132	107	(25)
	Education and Training	18	16	(2)
	Environment and Energy	269	236	(33)
	Finance			
	Economic Development Projects	10	4	(6)
	Contingency Fund: JobsOntarioCapital	27	0	(27)
	Health	89	79	(10)
	Housing	109	99	(10)
	Management Board Secretariat	206	156	(50)
	Municipal Affairs	14	13	(1)
	Native Affairs Secretariat	20	18	(2)
	Natural Resources	90	98	8
	Northern Development and Mines	225	215	(10)
	Solicitor General and Correctional Services	5	5	-
	Transportation	1,776	1,653	(123)
	In-Year Savings	(75)	(65)	10
SUB-TOTAL		3,096	2,791	(305)
Non-Budgetary				
LOAN BASED	Colleges and Universities	101	102	1
	School Boards	357	357	-
	Hospitals	150	150	-
	Culture, Tourism and Recreation	-	2	2
	Clean Water Agency	62	62	-
CROWN CORPORATIONS	Ontario Realty Corporation	33	33	-
	Transportation Capital Corporation	101	101	-
SUB-TOTAL		804	807	3
TOTAL		3,900	3,598	(302)

Capital expenditure, at \$2,791 million, is down \$305 million from Budget Plan and \$303 million from first quarter results. Underspending is the result of project delays associated with real estate negotiations, design and engineering work and environmental assessment hearings. Savings have also been achieved through lower contract prices. As well, savings have resulted from funds for cost shared projects not being taken up by transfer partners.

\* Savings in JobsOntarioCapital are primarily in the Ministries of Economic Development and Trade (\$20 million) and Transportation (\$39 million) related to telecommunications, major highway projects and Greater Toronto Area transit projects and \$17 million unallocated from the Contingency Fund.

# Financing

Table 4

		1993-94		
		Budget Plan	Current Outlook	In-Year Change
		(\$Millions)		
REQUIREMENTS	Operating Deficit	6,063	6,745	682
	Capital Deficit	3,096	2,791	(305)
	Budgetary Requirements	9,159	9,536	377
FINANCING	Debt Issues	11,093	11,454	361
	Retirements:			
	Canada Pension Plan	(607)	(607)	-
	Ontario Teachers' Pension Plan	(252)	(252)	-
	Public Service Pension Plan	(106)	(106)	-
	Public	-	(4)	(4)
	Other	(140)	(140)	-
		(1,105)	(1,109)	(4)
	Net Debt Issues	9,988	10,345	357
	Province of Ontario Savings Office and Other Liabilities	36	36	-
Net Financing		10,024	10,381	357
LOANS	Net Loan Repayments (Issues)	(1,115)	(1,095)	20
CASH	Decrease in Cash	250	250	-
ACCUMULATED DEFICIT	Increase in Accumulated Deficit	9,159	9,536	377

\* Bonds issued from the beginning of this fiscal year to September 30, 1993 totalled \$6,436 million.

## ONTARIO FINANCES

Quarterly Update  
December 31, 1993

Ministry of Finance

1993-94 Third Quarter

- BUDGETARY REQUIREMENTS** • The Budgetary Requirements, at \$9,542 million, are up \$383 million from Budget Plan and up \$6 million from second quarter.

9 months  
actual results  
and 3 months  
projected

Fiscal Summary (\$ Millions)	1993-94			Changes from Second Quarter
	Budget Plan	Current Outlook	In-Year Change	
Revenue	43,985	43,332	(653)	227
Operating Expenditure:				
Programs	42,898	42,943	45	243
Public Debt Interest	7,150	7,150	—	—
Total Operating Expenditure	50,048	50,093	45	243
<b>Operating Deficit</b>	<b>6,063</b>	<b>6,761</b>	<b>698</b>	<b>16</b>
Capital Expenditure	3,096	2,781	(315)	(10)
<b>Budgetary Requirements</b>	<b>9,159</b>	<b>9,542</b>	<b>383</b>	<b>6</b>

- REVENUE** • Estimated revenue for 1993-94 is \$43,332 million, a net decrease of \$653 million from the Budget Plan but \$227 million more than reported in the second quarter.

- The increase this quarter is due to the receipt of \$227 million from the federal government as final settlement of Ontario's 1990-91 Fiscal Stabilization Claim.

- OPERATING EXPENDITURE** • The expenditure forecast of \$50,093 million is up \$45 million from the Budget Plan. Increases in spending this quarter are primarily due to delays in implementing ECP initiatives, social assistance caseload increases and funding for long-term care. These increases will be offset from savings related to the expenditure freeze.

- CAPITAL ACCOUNT** • Capital funding requirements at \$2,781 million are down a net \$315 million from Budget Plan and \$10 million from second quarter outlook.



# Revenue

Table 1

		1993-94		
		Budget Plan	Current Outlook	In-Year Change
			(\$Millions)	
<b>TAXATION REVENUE</b>	Personal Income Tax <sup>1</sup>	14,315	13,900	(415)
	Retail Sales Tax	8,040	8,000	(40)
	Corporations Tax	3,120	2,900	(220)
	Employer Health Tax	2,700	2,670	(30)
	Mining Profits Tax	50	50	-
	Gasoline Tax	1,900	1,900	-
	Fuel Tax	460	460	-
	Tobacco Tax	910	800	(110)
	Land Transfer Tax	400	310	(90)
	Race Tracks Tax	85	75	(10)
	Commercial Concentration Tax	45	45	-
	Other Taxation	70	70	-
		32,095	31,180	(915)
<b>OTHER REVENUE</b>	LCBO Profits	620	620	-
	Vehicle/Driver Registration Fees	765	750	(15)
	LLBO Fees, Licences and Permits	500	500	-
	Other Fees and Licences	655	655	-
	Lottery Profits	555	535	(20)
	Royalties	270	255	(15)
	Utility Service Charges	175	175	-
	Sales and Rentals	1,020	1,020	-
	Fines and Penalties	175	175	-
	Recoveries	75	80	5
	Reimbursements	175	175	-
	Miscellaneous	60	60	-
		5,045	5,000	(45)
<b>FEDERAL GOVERNMENT</b>	Established Programs Financing	3,862	3,882	20
<b>PAYMENTS</b>	Canada Assistance Plan	2,371	2,411	40
	National Training Act	76	76	-
	Bilingualism Development	72	72	-
	Young Offenders	60	60	-
	Vocational Rehabilitation	66	66	-
	Fiscal Stabilization	-	227	227
	Other	338	358	20
		6,845	7,152	307
<b>TOTAL</b>		<b>43,985</b>	<b>43,332</b>	<b>(653)</b>

<sup>1</sup> Net Of Ontario Tax Credits.

## Performance

**REVENUE** The current outlook for revenue is \$43,332 million, a net decrease of \$653 million from the Budget Plan but \$227 million higher than the outlook reported in the second quarter Ontario Finances. The changes reported this quarter are:

- The outlook for Tobacco Tax revenue has been reduced by \$40 million, reflecting weaker-than-expected receipts during the third quarter. This is attributed to the ongoing smuggling problem.
- Canada Assistance Plan payments from the federal government are expected to be \$40 million higher due to reimbursements for claims in respect of prior years.
- Ontario received \$227 million from the federal government as final settlement of the 1990-91 Fiscal Stabilization Claim.

**OPERATING EXPENDITURE** The current operating expenditure forecast at \$50,093 million is up from the Budget Plan by \$45 million and second quarter results by \$243 million.

The increase in the third quarter is mainly due to expenditure changes in the Ministries of Community and Social Services, Health, and Environment and Energy as follows:

- The Ministry of Community and Social Services received an additional \$125 million for social assistance, due to caseload growth and delays in implementation of a number of ECP initiatives.
- The Ministry of Health received an additional \$108 million, due to the delay in passage of Bill 81, and the decision not to pursue cost sharing for the ODB plan (\$80 million), and to the provision of an additional \$28 million to long-term care facilities.
- The Ministry of Environment and Energy received an additional \$10 million for Municipal Recycling Support for the Blue Box Program.
- The Contingency Fund transferred \$52 million to various ministries to provide funding for initiatives including payments under the Pay Equity Downpayment Program in the Ministries of Community and Social Services (\$29 million) and Health (\$8 million). The Ministry of Consumer and Commercial Relations received \$4 million to establish the Gaming Control Commission and the Ministry of the Attorney General received \$3 million for the Office of the Public Trustee and the Commission on Systemic Racism. The Ministry of Municipal Affairs received \$2 million for the Waterfront Regeneration Trust Program.
- Additional net savings, mainly due to delays in implementing programs such as jobsOntario Child Care, were identified and applied against the Savings and Constraints target (\$53 million).

## Operating Expenditure

Table 2

	Budget Plan	1993-94	
		Current Outlook	In-Year Change
		(\$Millions)	
<b>MINISTRIES</b>			
Agriculture and Food	542	542	-
Attorney General	735	747	12
Board of Internal Economy <sup>1</sup>	131	144	13
Citizenship	77	77	-
Community and Social Services	8,884	8,983	99
Consumer and Commercial Relations	176	181	5
Culture, Tourism and Recreation	394	398	4
Economic Development and Trade	366	366	-
Education and Training	9,683	9,651	(32)
Environment and Energy	411	422	11
Executive Offices <sup>2</sup>	13	13	-
Finance	460	466	6
Contingency Fund	443	240	(203)
Economic Development Projects	13	13	-
Public Debt Interest	7,180	7,150	-
Francophone Affairs, Office of	3	3	-
Health	17,571	17,686	115
Housing	1,032	1,032	-
Intergovernmental Affairs	8	8	-
Labour	215	185	(30)
Management Board Secretariat	553	553	-
Municipal Affairs	980	983	3
Native Affairs Secretariat	18	18	-
Natural Resources	529	518	(11)
Northern Development and Mines	88	87	(1)
Solicitor General and Correctional Services	1,190	1,193	3
Transportation	759	774	15
Women's Issues, Office Responsible for	24	24	-
Expenditure Savings and Constraints	(400)	(164)	236
Social Contract Savings	(2,000)	(2,000)	-
Expenditure Freeze Savings	-	(200)	(200)
<b>TOTAL</b>	<b>50,048</b>	<b>50,093</b>	<b>45</b>

<sup>1</sup> Includes Office of the Assembly, Chief Election Officer, Ombudsman and Provincial Auditor

<sup>2</sup> Includes Office of the Lieutenant Governor, Office of the Premier and Cabinet Office.

# Capital Plan

Table 3

		1993-94		
		Budget Plan	Current Outlook	In-Year Change JobsOntario Capital
		(\$Millions)		
<b>MINISTRIES</b>	Agriculture and Food	16	15	(1)
	Attorney General	4	3	(1)
	Citizenship	11	10	(1)
	Community and Social Services	85	78	(7)
	Culture, Tourism and Recreation	65	51	(14)
	Economic Development and Trade	132	107	(25)
	Education and Training	18	16	(2)
	Environment and Energy	269	226	(43)
	Finance			
	Economic Development Projects	10	4	(6)
	Contingency Fund: JobsOntario Capital	27	-	(27)
	Health	89	79	(10)
	Housing	109	99	(10)
	Management Board Secretariat	206	156	(50)
	Municipal Affairs	14	13	(1)
	Native Affairs Secretariat	20	18	(2)
	Natural Resources	90	98	8
	Northern Development and Mines	225	215	(10)
	Solicitor General and Correctional Services	5	5	-
	Transportation	1,776	1,653	(123)
	In-Year Savings	(75)	(65)	10
<b>SUB-TOTAL</b>		3,096	2,781	(315)
<b>LOAN BASED</b>	Non-Budgetary			
	Colleges and Universities	101	102	1
	School Boards	357	357	-
	Hospitals	150	150	-
	Culture, Tourism and Recreation	-	2	2
<b>CROWN CORPORATIONS</b>	Clean Water Agency	62	62	-
	Ontario Realty Corporation	33	33	-
	Transportation Capital Corporation	101	101	-
<b>SUB-TOTAL</b>		804	807	3
<b>TOTAL</b>		3,900	3,588	(312)

Capital expenditure, at \$2,781 million, is down \$315 million from Budget Plan and \$10 million from second quarter results.

- Underpinning is the result of project delays, lower contract prices and funds for cost shared projects not being taken up by transfer partners.
- Savings of \$10 million were realized by the Ministry of Environment and Energy in the 3Rs capital allocation.

# Financing

Table 4

		1993-94		
		Budget Plan	Current Outlook	In-Year Change
		(\$Millions)		
<b>REQUIREMENTS</b>	Operating Deficit	6,063	6,761	698
	Capital Deficit	3,096	2,781	(315)
	<b>Budgetary Requirements</b>	9,159	9,542	383
<b>FINANCING</b>	Debt Issues	11,093	12,800	1,707
	Retirements:			
	Canada Pension Plan	(607)	(607)	-
	Ontario Teachers' Pension Plan	(252)	(252)	-
	Public Service Pension Plan	(106)	(106)	-
	Public	-	(4)	(4)
	Other	(140)	(140)	-
		(1,105)	(1,109)	(4)
	<b>Net Debt Issues</b>	9,988	11,691	1,703
	Province of Ontario Savings Office and Other Liabilities	36	36	-
	<b>Net Financing</b>	10,024	11,727	1,703
<b>LOANS</b>	Net Loan Repayments (Issues)	(1,115)	(1,096)	19
<b>CASH</b>	Decrease (Increase) in Cash	250	(1,089)	(1,339)
<b>ACCUMULATED DEFICIT</b>		9,159	9,542	383

\* Bonds issued from the beginning of this fiscal year to December 31, 1993 totalled \$8,695 million.

\* The Province continues to implement its policy to pre-borrow ahead of its financing requirements in order to maintain maximum financing flexibility.





# ONTARIO FINANCES

Quarterly Update  
June 30, 1994

Finance

1994-95 First Quarter

- BUDGET PLAN** • Budgetary Requirements, at \$8,548 million, are unchanged from the Budget Plan reflecting an unchanged current outlook for Revenue, and Operating and Capital expenditure.

3 months  
actual results  
and 9 months  
projected

Fiscal Summary (\$ Millions)	1994-95			
	1993-94 Actual	Budget Plan	Current Outlook	In-Year Change
Revenue	44,077	45,140	45,140	-
Operating Expenditure:				
Programs	43,806	43,543	43,543	-
Public Debt Interest	<u>6,959</u>	<u>7,945</u>	<u>7,945</u>	-
Total Operating Expenditure	50,765	51,488	51,488	-
<b>Operating Deficit</b>	<b>6,688</b>	<b>6,348</b>	<b>6,348</b>	-
Capital Expenditure	<u>2,590</u>	<u>2,200</u>	<u>2,200</u>	-
<b>Budgetary Requirements</b>	<b>9,278</b>	<b>8,548</b>	<b>8,548</b>	-

**1993-94 ACTUALS** • Unaudited actual results for last fiscal year indicate Budgetary Requirements were \$152 million less than the interim level of \$9,430 million reported in the Budget.

- Actual 1993-94 revenues were revised upward by \$27 million from the interim numbers included in the Budget. The additional revenue was mainly due to increases in Land Transfer Tax, Vehicle and Driver Registration Fees, and Recoveries.
- Program expenditures were down \$84 million, Public Debt Interest declined \$31 million and Capital expenditures were lower by \$10 million, from the 1994 Budget interim projections.



For further information contact  
Communications Services (416) 325-0333  
Frost Building South, Queen's Park  
Toronto M7A 1Y7

Ce rapport est disponible en français.  
Pour de plus amples renseignements,  
communiquez avec les Services des Communications,  
édifice Frost sud, Queen's Park, Toronto M7A 1Y7,  
téléphone : (416) 325-0333.

## Table 1

<sup>1</sup> Net Of Ontario Tax Credits.

## Performance

**REVENUE** Forecast revenue for 1994-95 is \$45,140 million, unchanged from the Budget Plan.

Key factors indicating that the revenue forecast is on track include:

- First quarter revenue receipts were consistent with the Budget Forecast.
- The Ontario economy continued to gain momentum, as expected.

Tobacco Tax revenue is down significantly from last year, due to the February Tobacco Tax cut. As stated in the Budget forecast, Tobacco Tax revenue is expected to fall by more than 50 per cent below last year's receipts.

**OPERATING EXPENDITURE** The current operating expenditure outlook at \$51,488 million is unchanged from the Budget Plan.

- The Ministry of Natural Resources received an additional \$12 million, transferred from the Contingency Fund, for the first year implementation costs of the recommendations of The Environmental Assessment Board regarding timber management on Crown Lands in Ontario.

## Operating Expenditure

Table 2

	Budget Plan	1994-95	
		Current Outlook	In-Year Change
		(\$Millions)	
<b>MINISTRIES</b>			
Agriculture, Food and Rural Affairs	487	487	-
Attorney General	724	724	-
Board of Internal Economy <sup>1</sup>	139	139	-
Citizenship	79	79	-
Community and Social Services	9,372	9,372	-
Consumer and Commercial Relations	154	154	-
Culture, Tourism and Recreation	377	377	-
Economic Development and Trade	316	316	-
Education and Training	8,782	8,782	-
Environment and Energy	276	276	-
Executive Offices <sup>2</sup>	12	12	-
Finance - Own Account	432	432	-
Contingency Fund	321	309	(12)
Public Debt Interest	7,945	7,945	-
Francophone Affairs, Office of	3	3	-
Health	17,352	17,352	-
Housing	1,118	1,118	-
Intergovernmental Affairs	7	7	-
Labour	159	159	-
Management Board Secretariat	570	570	-
Municipal Affairs	778	778	-
Native Affairs Secretariat	17	17	-
Natural Resources	476	488	12
Northern Development and Mines	72	72	-
Solicitor General and Correctional Services	1,108	1,108	-
Transportation	789	789	-
Women's Issues, Office Responsible for	23	23	-
Expenditure Savings and Constraints	(400)	(400)	-
<b>TOTAL</b>	<b>51,488</b>	<b>51,488</b>	<b>-</b>

<sup>1</sup> Includes Office of the Assembly, Chief Election Officer, Ombudsman and Provincial Auditor.

<sup>2</sup> Includes Office of the Lieutenant Governor, Office of the Premier and Cabinet Office.

		1994-95		
		Budget Plan	Current Outlook	In-Year Change
		(\$Millions)		
<b>MINISTRIES</b>				
<b>BUDGETARY</b>	Agriculture, Food and Rural Affairs	12	12	-
	Attorney General	3	3	-
	Citizenship	6	8	-
	Community and Social Services	84	84	-
	Culture, Tourism and Recreation	26	26	-
	Economic Development and Trade	139	139	-
	Education and Training	9	9	-
	Environment and Energy	75	75	-
	Finance	1	1	-
	Canada-Ontario Infrastructure Works	465	465	-
	Health	40	40	-
	Housing	58	58	-
	Management Board Secretariat	122	122	-
	Native Affairs Secretariat	20	20	-
	Natural Resources	59	59	-
	Northern Development and Mines	192	192	-
	Solicitor General and Correctional Services	3	3	-
	Transportation	1,102	1,102	-
	In-Year Savings	(218)	(218)	-
<b>SUB-TOTAL</b>		2,200	2,200	-
<b>Non-Budgetary</b>				
<b>LOAN BASED</b>	Colleges and Universities	96	96	-
	School Boards	290	290	-
	Canada-Ontario Infrastructure Works	35	35	-
	Health Facilities	173	173	-
<b>CROWN CORPORATIONS</b>				
	Clean Water Agency	280	280	-
	Ontario Realty Corporation	128	128	-
	Transportation Capital Corporation	598	598	-
<b>SUB-TOTAL</b>		1,600	1,600	-
<b>TOTAL</b>		3,800	3,800	-
<b>Project Specific</b>				
	Highway 407	300	300	-
	Metro Convention Centre	39	39	-
	Brampton Courthouse	10	10	-
	<b>SUB-TOTAL</b>	349	349	-
<b>TOTAL Capital Investment</b>		4,149	4,149	-

The Budgetary expenditure plan of \$2,200 million and Loan Based financing of \$1,600 million are on track and unchanged from the Budget Plan.

		1994-95		
		Budget Plan	Current Outlook	In-Year Change
		(\$Millions)		
REQUIREMENTS	Operating Deficit	6,348	6,348	-
	Capital Deficit	<u>2,200</u>	<u>2,200</u>	-
	Budgetary Requirements	<u>8,548</u>	<u>8,548</u>	-
FINANCING	Debt Issues	11,100	11,100	-
	Retirements:			
	Canada Pension Plan	(702)	(702)	-
	Ontario Teachers' Pension Plan	(64)	(64)	-
	Public Service Pension Plan	(104)	(104)	-
	Municipal Employees Retirement Fund	(149)	(149)	-
	Other	<u>(12)</u>	<u>(12)</u>	-
		(1,031)	(1,031)	-
	Net Debt Issues	10,069	10,069	-
	Province of Ontario Savings Office and Other Liabilities - Net	<u>125</u>	<u>125</u>	-
	10,194	10,194	-	
Net Financing				
LOANS	Net Loan Repayments (Issues)	(1,901)	(1,901)	-
CASH	Decrease (Increase) in Cash	<u>255</u>	<u>255</u>	-
ACCUMULATED DEFICIT	Increase in Accumulated Deficit	8,548	8,548	-

\* Financing requirements for 1994-95 are forecast to be \$11,480 million. This is composed of \$6,348 million for funding the operating deficit, \$2,200 million for capital spending, \$1,901 million for alternate capital financing arrangements and net loans, and \$1,031 million refinancing maturing debt.

\* Bond, debenture and note issues launched from the beginning of this fiscal year to June 30, 1994 totalled \$4,722 million.





## ONTARIO FINANCES

Ministry of Finance

1994-95 Second Quarter

Quarterly Update  
September 30, 1994

- BUDGET • Budgetary Requirements, at \$8,342 million, are down \$206 million from the Budget  
PLAN Plan.

6 months  
actual results  
and 6 months  
projected

Fiscal Summary (\$ Millions)	1994-95			
	Budget Plan	Current Outlook	In-Year Change	Changes from First Quarter
Revenue	45,140	45,346	206	206
Operating Expenditure:				
Programs	43,543	43,543	-	-
Public Debt Interest	<u>7,945</u>	<u>7,945</u>	-	-
Total Operating Expenditure	51,488	51,488	-	-
<b>Operating Deficit</b>	<b>6,348</b>	<b>6,142</b>	<b>(206)</b>	<b>(206)</b>
Capital Expenditure	<u>2,200</u>	<u>2,200</u>	-	-
<b>Budgetary Requirements</b>	<b>8,548</b>	<b>8,342</b>	<b>(206)</b>	<b>(206)</b>

- REVENUE** • The revenue outlook for 1994-95 is \$45,346 million, an increase of \$206 million from the Budget plan and the first quarter. Additional revenues have been applied to pay down the deficit.

- The revenue increase this quarter is a result of stronger-than-expected tax revenue growth due to the more robust pace of economic expansion.

- OPERATING EXPENDITURE** • The expenditure forecast, at \$51,488 million, is unchanged from the Budget Plan.

- Savings of \$172 million have been secured and applied against the Expenditure Savings and Constraints target of \$400 million.

- CAPITAL EXPENDITURE** • The capital expenditure forecast, at \$2,200 million, is unchanged from the Budget Plan but reflects the distribution of \$135 million in Canada-Ontario Infrastructure Works funds to three ministries.

For further information contact  
Communications Services (416) 325-0333  
Frost Building South, Queen's Park  
Toronto M7A 1Y7

Ce rapport est disponible en français.  
Pour de plus amples renseignements,  
communiquez avec les Services des Communications,  
édifice Frost sud, Queen's Park, Toronto M7A 1Y7,  
téléphone : (416) 325-0333.

# Revenue

Table 1

		1994-95		
		Budget Plan	Current Outlook	In-Year Change
		(\$Millions)		
<b>TAXATION REVENUE</b>	Personal Income Tax <sup>1</sup>	14,810	14,810	-
	Retail Sales Tax	8,610	8,710	100
	Corporations Tax	3,780	3,930	150
	Employer Health Tax	2,540	2,540	-
	Mining Profits Tax	90	90	-
	Gasoline Tax	1,970	1,970	-
	Fuel Tax	480	480	-
	Tobacco Tax	380	350	(30)
	Land Transfer Tax	360	360	-
	Race Tracks Tax	75	75	-
	Other Taxation	70	70	-
		33,165	33,385	220
<b>OTHER REVENUE</b>	LCBO Profits	580	580	-
	Vehicle/Driver Registration Fees	740	740	-
	LLBO Fees, Licences and Permits	530	530	-
	Other Fees and Licences	705	705	-
	Lottery Profits	575	575	-
	Royalties	270	270	-
	Sales and Rentals	645	645	-
	Fines and Penalties	210	169	(41)
	Recoveries	135	128	(7)
	Reimbursements	160	160	-
	Miscellaneous	173	173	-
		4,723	4,675	(48)
<b>FEDERAL GOVERNMENT</b>	Established Programs Financing	3,657	3,657	-
<b>PAYMENTS</b>	Canada Assistance Plan	2,602	2,636	34
	National Training Act	76	76	-
	Bilingualism Development	77	77	-
	Young Offenders	81	81	-
	Vocational Rehabilitation	66	66	-
	Canada-Ontario Infrastructure Works	253	253	-
	Other	440	440	-
		7,252	7,286	34
<b>TOTAL</b>		45,140	45,346	206

<sup>1</sup> Net Of Ontario Tax Credits.

## Performance

**REVENUE** The 1994-95 revenue outlook has been increased by \$206 million from both the Budget Plan and the first quarter. This increase is a result of higher-than-expected tax revenues due to the more robust pace of economic expansion. Major changes this quarter include:

- The Corporations Tax forecast has been raised by \$150 million as a result of strong corporate profit growth.
- The Retail Sales Tax outlook has been increased by \$100 million reflecting stronger-than-expected consumption.
- The Tobacco Tax outlook has been lowered by \$30 million as receipts have been weaker than expected.
- Fines and Penalties are lower by \$41 million because the pilot project for Photo-radar is being prolonged.
- Canada Assistance Plan payments from the federal government are expected to increase by \$34 million due to reimbursements for claims in respect of prior years.

**OPERATING EXPENDITURE** The current operating expenditure forecast, at \$51,488 million, is unchanged from the Budget Plan. There have, however, been changes within the allocation to ministries.

- Savings of \$172 million have been secured and applied against the \$400 million Expenditure Savings and Constraints target, including:
  - A permanent salaries and wages constraint of \$40 million has been applied against ministries.
  - Social Assistance caseloads have been lower than forecast resulting in savings of \$65 million for the Ministry of Community and Social Services.
  - The Ministry of Education and Training has \$7 million in reduced principal and interest costs related to capital loans to school boards, colleges and universities
  - The Ministry of Environment and Energy has found savings of \$6 million in various operating and transfer payments.
  - The Contingency Fund is saving \$33 million related to slippage in various Budget Plan initiatives, including Extra Fire Fighting due to reduced forest fire hazards and Non Tax Revenue projects including Photo-radar.
  - The Ministry of Natural Resources has identified savings for own account Extra Fire Fighting.
- The Contingency Fund transferred \$25 million to ministries for various Government initiatives such as:
  - \$10 million for Integrated Safety Programs with the Ministries of the Attorney General, Solicitor General and Correctional Services, and Transportation;
  - \$4 million for Clearing the Path for Business Success;
  - \$3 million for Native land claims.

## Operating Expenditure

Table 2

	Budget Plan	1994-95	In-Year Change
		Current Outlook (\$Millions)	
<b>MINISTRIES</b>			
Agriculture, Food and Rural Affairs	487	486	(1)
Attorney General	724	724	-
Board of Internal Economy <sup>1</sup>	139	139	-
Citizenship	79	80	1
Community and Social Services	9,372	9,298	(74)
Consumer and Commercial Relations	184	184	-
Culture, Tourism and Recreation	377	376	(1)
Economic Development and Trade	316	315	(1)
Education and Training	8,782	8,768	(14)
Environment and Energy	276	268	(8)
Executive Offices <sup>2</sup>	12	12	-
Finance - Own Account	432	434	2
Contingency Fund	321	251	(70)
Public Debt Interest	7,945	7,945	-
Francophone Affairs, Office of	3	3	-
Health	17,352	17,344	(8)
Housing	1,118	1,117	(1)
Intergovernmental Affairs	7	7	-
Labour	159	158	(1)
Management Board Secretariat	570	567	(3)
Municipal Affairs	778	777	(1)
Native Affairs Secretariat	17	20	3
Natural Resources	476	481	5
Northern Development and Mines	72	72	-
Solicitor General and Correctional Services	1,108	1,112	4
Transportation	789	785	(4)
Women's Issues, Office responsible for	23	23	-
Expenditure Savings and Constraints	(400)	(228)	172
<b>TOTAL</b>	<b>51,488</b>	<b>51,488</b>	<b>-</b>

<sup>1</sup> Includes Office of the Assembly, Chief Election Officer, Ombudsman and Provincial Auditor.

<sup>2</sup> Includes Office of the Lieutenant Governor, Office of the Premier and Cabinet Office

		1994-95		
		Budget Plan	Current Outlook	In-Year Change
		(\$Millions)		
<b>MINISTRIES</b>				
<b>BUDGETARY</b>	Agriculture, Food and Rural Affairs	12	12	-
	Attorney General	3	3	-
	Citizenship	8	8	-
	Community and Social Services	84	84	-
	Culture, Tourism and Recreation	26	26	-
	Economic Development and Trade	139	139	-
	Education and Training	9	19	10
	Environment and Energy	75	75	-
	Finance	1	1	-
	Canada-Ontario Infrastructure Works	465	330	(135)
	Health	40	40	-
	Housing	58	58	-
	Management Board Secretariat	122	122	-
	Municipal Affairs	-	113	113
	Native Affairs Secretariat	20	20	-
	Natural Resources	59	59	-
	Northern Development and Mines	192	204	12
	Solicitor General and Correctional Services	3	3	-
	Transportation	1,102	1,102	-
	In-Year Savings	(218)	(218)	-
<b>SUB-TOTAL</b>		<b>2,200</b>	<b>2,200</b>	<b>-</b>
<b>Non-Budgetary</b>				
<b>LOAN BASED</b>	Colleges and Universities	96	96	-
	School Boards	290	290	-
	Canada-Ontario Infrastructure Works	35	35	-
	Health Facilities	173	173	-
<b>CROWN CORPORATIONS</b>				
	Clean Water Agency	280	280	-
	Ontario Realty Corporation	128	128	-
	Transportation Capital Corporation	598	598	-
<b>SUB-TOTAL</b>		<b>1,600</b>	<b>1,600</b>	<b>-</b>
<b>TOTAL</b>		<b>3,800</b>	<b>3,800</b>	<b>-</b>
<b>Project Specific</b>				
	Highway 407	300	300	-
	Metro Convention Centre	39	39	-
	Brampton Courthouse	10	10	-
<b>SUB-TOTAL</b>		<b>349</b>	<b>349</b>	<b>-</b>
<b>TOTAL</b>	Capital Investment	<b>4,149</b>	<b>4,149</b>	<b>-</b>

\* To date, a total of \$135 million has been distributed from the Canada-Ontario Infrastructure Works fund to meet the cash flow requirements for projects delivered through the Ministries of Municipal Affairs, Northern Development and Mines, and Education and Training.

\* \$ 218 million in planned savings will be achieved by year end. Project delays, lower than anticipated contract prices, and low take up by transfer partners on funds available for cost shared projects will all contribute to the projected underspending.

		1994-95			
		Budget Plan	Current Outlook	In-Year Change	
		(\$Millions)			
REQUIREMENTS	Operating Deficit	6,348	6,142	(206)	
	Capital Deficit	2,200	2,200	-	
	Budgetary Requirements	8,548	8,342	(206)	
FINANCING	Debt Issues	11,100	11,100	-	
	Retirements:				
	Canada Pension Plan	(702)	(702)	-	
	Ontario Teachers' Pension Plan	(64)	(64)	-	
	Public Service Pension Plan	(104)	(104)	-	
	Municipal Employees Retirement Fund	(149)	(149)	-	
	Other	(12)	(12)	-	
		(1,031)	(1,031)	-	
	Net Debt Issues	10,069	10,069	-	
	Province of Ontario Savings Office and Other Liabilities - Net	125	125	-	
	Net Financing	10,194	10,194	-	
	LOANS	Net Loan Repayments (Issues)	(1,901)	(1,901)	-
	CASH	Decrease (Increase) in Cash	255	49	(206)
ACCUMULATED DEFICIT	Increase in Accumulated Deficit	8,548	8,342	(206)	

\* Financing requirements for 1994-95 are forecast at \$11,274 million, down \$206 million from the first quarter. This is composed of \$6,142 million for funding the operating deficit, \$2,200 million for capital spending, \$1,901 million for alternate capital financing arrangements and net loans, and \$1,031 million for refinancing maturing debt.

\* Bond, debenture and note issues launched from the beginning of this fiscal year to September 30, 1994 totalled \$7,221 million. In addition, \$3,000 million was pre-borrowed last year for this fiscal year.



# ONTARIO FINANCES

Ministry of Finance

1994-95 Third Quarter

Quarterly Update  
December 31, 1994

**BUDGET PLAN** • Budgetary Requirements, at \$8,339 million, are down \$209 million from the Budget Plan.

9 months  
actual results  
and 3 months  
projected

Fiscal Summary (\$ Millions)	1994-95			Changes from Second Quarter
	Budget Plan	Current Outlook	In-Year Change	
Revenue	45,140	45,349	209	3
Operating Expenditure:				
Programs	43,543	43,543	-	-
Public Debt Interest	<u>7,945</u>	<u>7,945</u>	-	-
Total Operating Expenditure	51,488	51,488	-	-
<b>Operating Deficit</b>	<b>6,348</b>	<b>6,139</b>	<b>(209)</b>	<b>(3)</b>
Capital Expenditure	<u>2,200</u>	<u>2,200</u>	-	-
<b>Budgetary Requirements</b>	<b>8,548</b>	<b>8,339</b>	<b>(209)</b>	<b>(3)</b>

**REVENUE** • The revenue outlook for 1994-95 is \$45,349 million, a \$3 million increase from the second quarter and \$209 million higher than the Budget Plan.

- The Personal Income Tax revenue outlook has been reduced due to weaker-than-expected 1993 assessments but this has been offset by gains in Retail Sales and Corporations Taxes, Established Programs Financing and the receipt of a fiscal stabilization payment.

## OPERATING EXPENDITURE

- The expenditure forecast, at \$51,488 million, is unchanged from the Budget Plan.
- Savings of \$109 million have been secured and applied against a \$45 million Ontario Drug Benefit pressure while the remaining \$64 million has been applied against the Expenditure Savings and Constraint Target of \$400 million. To date, savings of \$236 million have been secured, leaving \$164 million to be found by year end.

## CAPITAL EXPENDITURE

- The capital expenditure forecast of \$2,200 million is unchanged from Budget Plan.
- The In-Year Savings target of \$218 million has been reduced to \$57 million which will be achieved by year-end.

For further information contact  
Communications Services (416) 325-0333  
Frost Building South, Queen's Park  
Toronto M7A 1Y7

Ce rapport est disponible en français.  
Pour de plus amples renseignements,  
communiquiez avec les Services des Communications,  
édifice Frost sud, Queen's Park, Toronto M7A 1Y7,  
téléphone : (416) 325-0333.



# Revenue

Table 1

		1994-95		
		Budget Plan	Current Outlook	In-Year Change
		(\$Millions)		
<b>TAXATION REVENUE</b>	Personal Income Tax <sup>1</sup>	14,810	14,310	(500)
	Retail Sales Tax	8,610	8,930	320
	Corporations Tax	3,780	3,990	210
	Employer Health Tax	2,540	2,540	-
	Mining Profits Tax	90	90	-
	Gasoline Tax	1,970	1,970	-
	Fuel Tax	480	480	-
	Tobacco Tax	380	320	(60)
	Land Transfer Tax	360	360	-
	Race Tracks Tax	75	75	-
	Other Taxation	70	70	-
		33,165	33,135	(30)
<b>OTHER REVENUE</b>	LCBO Profits	580	580	-
	Vehicle/Driver Registration Fees	740	740	-
	LLBO Fees, Licences and Permits	530	530	-
	Other Fees and Licences	705	705	-
	Lottery Profits	575	575	-
	Royalties	270	270	-
	Sales and Rentals	645	645	-
	Fines and Penalties	210	154	(56)
	Recoveries	135	128	(7)
	Reimbursements	160	160	-
	Miscellaneous	173	173	-
		4,723	4,660	(63)
<b>FEDERAL GOVERNMENT</b>	Established Programs Financing	3,657	3,857	200
<b>PAYMENTS</b>	Canada Assistance Plan	2,602	2,636	34
	National Training Act	76	76	-
	Bilingualism Development	77	77	-
	Young Offenders	81	81	-
	Vocational Rehabilitation	66	66	-
	Fiscal Stabilization	-	184	184
	Canada-Ontario Infrastructure Works	253	158	(95)
	Other	440	419	(21)
		7,252	7,554	302
<b>TOTAL</b>		<b>45,140</b>	<b>45,349</b>	<b>209</b>

<sup>1</sup> Net Of Ontario Tax Credits.

## Performance

**REVENUE** The revenue outlook for 1994-95 is \$45,349 million, a \$3 million increase from the second quarter and \$209 million higher than the Budget Plan.

- The Personal Income Tax (PIT) forecast has been lowered by \$300 million due to weaker-than-expected 1993 PIT assessments. Stronger-than-expected RRSP deductions contributed to the lower PIT.
- The Retail Sales Tax outlook has been increased \$220 million from second quarter results reflecting stronger-than-expected consumption.
- The Corporations Tax forecast has been raised by \$60 million from the second quarter as a result of stronger-than-expected corporate profits.
- The Tobacco Tax outlook is lowered by \$30 million as receipts are lower-than-expected.
- Revised Photo-radar projections have further reduced Fines and Penalties by \$15 million.
- The \$200 million increase in federal Established Programs Financing reflects the downward revision to Personal Income Tax as well as federal data revisions related to population and corporate taxable income.
- Ontario received \$184 million from the federal government in respect of the 1991-92 and 1992-93 Fiscal Stabilization Claims.
- Lower expenditures of \$190 million under the Canada-Ontario Infrastructure Works program will result in \$95 million lower revenue representing the 50 per cent federal contribution.
- Other Federal Payments are reduced by \$21 million due to federal changes to the payment method for Crop Insurance.

**OPERATING EXPENDITURE** The current operating expenditure forecast, at \$51,488 million, is unchanged from the Budget Plan. There have, however, been changes within the allocation to ministries.

- Savings of \$109 million have been secured. Significant savings include:
  - The Ministry of Agriculture, Food and Rural Affairs will have a \$48 million decrease in expenditure reflecting administrative changes this year with the Crop Insurance and Market Revenue programs. Provincial government support for these programs remains unchanged.
  - The Ministry of Community and Social Services reports savings of \$30 million from the Social Assistance Automation Project and \$5 million in the Child Welfare Exceptional Circumstances Review program.
  - The Ministry of Education and Training reports savings of \$9 million in the Ontario Training and Adjustment Board and \$4 million from the Teachers' Pension Plan.
  - The Ministry of Housing secured savings of \$8 million from Non-Profit Housing Operations.
- \$45 million savings are applied to the Ministry of Health for Ontario Drug Benefits pressures.
- Savings of \$64 million were applied against the \$400 million Expenditure Savings and Constraints target. Savings of \$236 million have been secured to date and the balance of \$164 million will be found by year end.
- The Contingency Fund transferred \$104 million to ministries for various Government initiatives such as:
  - \$62 million to ministries including Community and Social Services, Education and Training and Health for Broader Public Sector Pay Equity;
  - \$15 million for the Ministry of Economic Development and Trade for loan guarantees for St. Marys Pulp and Paper;
  - \$14 million for the Ministry of Health for the new Photo Health Cards;
  - \$7 million for the Ministry of Environment and Energy for the Chemical Laboratory Technicians Grievance Settlement.

## Operating Expenditure

Table 2

	Budget Plan	1994-95	
		Current Outlook	In-Year Change
		(\$Millions)	
<b>MINISTRIES</b>			
Agriculture, Food and Rural Affairs	487	438	(49)
Attorney General	724	724	-
Board of Internal Economy <sup>1</sup>	139	139	-
Citizenship	79	80	1
Community and Social Services	9,372	9,274	(98)
Consumer and Commercial Relations	154	154	-
Culture, Tourism and Recreation	377	378	1
Economic Development and Trade	316	330	14
Education and Training	8,782	8,763	(19)
Environment and Energy	276	275	(1)
Executive Offices <sup>2</sup>	12	12	-
Finance - Own Account	432	437	5
Contingency Fund	321	147	(174)
Public Debt Interest	7,945	7,945	-
Francophone Affairs, Office of	3	3	-
Health	17,352	17,443	91
Housing	1,118	1,109	(9)
Intergovernmental Affairs	7	7	-
Labour	159	158	(1)
Management Board Secretariat	570	567	(3)
Municipal Affairs	778	778	-
Native Affairs Secretariat	17	21	4
Natural Resources	476	478	2
Northern Development and Mines	72	72	-
Solicitor General and Correctional Services	1,108	1,112	4
Transportation	789	785	(4)
Women's Issues, Office Responsible for	23	23	-
Expenditure Savings and Constraints	(400)	(164)	236
<b>TOTAL</b>	<b>51,488</b>	<b>51,488</b>	<b>-</b>

<sup>1</sup> Includes Office of the Assembly, Chief Election Officer, Ombudsman and Provincial Auditor

<sup>2</sup> Includes Office of the Lieutenant Governor, Office of the Premier and Cabinet Office

		1994-95		
		Budget Plan	Current Outlook	In-Year Change
		(\$Millions)		
<b>MINISTRIES</b>				
<b>BUDGETARY</b>	Agriculture, Food and Rural Affairs	12	12	-
	Attorney General	3	4	1
	Citizenship	8	8	-
	Community and Social Services	84	84	-
	Culture, Tourism and Recreation	26	36	10
	Economic Development and Trade	139	139	-
	Education and Training	9	19	10
	Environment and Energy	75	75	-
	Finance	1	1	-
	Canada-Ontario Infrastructure Works	465	140	(325)
	Health	40	40	-
	Housing	58	58	-
	Management Board Secretariat	122	134	12
	Municipal Affairs	-	120	120
	Native Affairs Secretariat	20	20	-
	Natural Resources	59	58	(1)
<b>LOAN BASED</b>	Northern Development and Mines	192	204	12
	Solicitor General and Correctional Services	3	3	-
	Transportation	1,102	1,102	-
	In-Year Savings	(218)	(57)	161
	<b>SUB-TOTAL</b>	<b>2,200</b>	<b>2,200</b>	<b>-</b>
<b>Non-Budgetary</b>				
<b>LOAN BASED</b>	Colleges and Universities	96	98	2
	School Boards	290	290	-
	Canada-Ontario Infrastructure Works	35	35	-
	Health Facilities	173	173	-
<b>CROWN CORPORATIONS</b>				
	Clean Water Agency	280	280	-
	Ontario Realty Corporation	128	126	(2)
	Transportation Capital Corporation	598	598	-
<b>SUB-TOTAL</b>		<b>1,600</b>	<b>1,600</b>	<b>-</b>
<b>TOTAL</b>		<b>3,800</b>	<b>3,800</b>	<b>-</b>
<b>Project Specific</b>				
	Highway 407	300	300	-
	Metra Convention Centre	39	39	-
	Brampton Courthouse	10	10	-
<b>SUB-TOTAL</b>		<b>349</b>	<b>349</b>	<b>-</b>
<b>TOTAL Capital Investment</b>		<b>4,149</b>	<b>4,149</b>	<b>-</b>

- \$135 million has been distributed from the Canada-Ontario Infrastructure Works fund for projects delivered through the Ministries of Municipal Affairs (\$113 million), Northern Development and Mines (\$12 million), and Education and Training (\$10 million) and a further \$190 million will not be required this year.
- To date, \$161 million of the \$218 million in planned savings has been achieved (Canada-Ontario Infrastructure Works savings of \$190 million, less \$29 million in approved capital projects). The balance of \$57 million will be secured by year-end. Project delays, lower than anticipated contract prices, and slow take up by transfer partners for cost-shared projects contribute to the projected underspending.

		1994-95		
		Budget Plan	Current Outlook	In-Year Change
		(\$Millions)		
<b>REQUIREMENTS</b>	Operating Deficit	6,348	6,139	(209)
	Capital Deficit	<u>2,200</u>	<u>2,200</u>	-
	<b>Budgetary Requirements</b>	<b>8,548</b>	<b>8,339</b>	<b>(209)</b>
<b>FINANCING</b>	Debt Issues	11,100	11,100	-
	Retirements:			
	Canada Pension Plan	(702)	(702)	-
	Ontario Teachers' Pension Plan	(64)	(64)	-
	Public Service Pension Plan	(94)	(94)	-
	OPSEU Pension Trust	(10)	(10)	-
	Municipal Employees Retirement Fund	(149)	(149)	-
	Other	<u>(12)</u>	<u>(12)</u>	-
		(1,031)	(1,031)	-
	Net Debt Issues	10,069	10,069	-
	Province of Ontario Savings Office and Other Liabilities - Net	<u>125</u>	<u>125</u>	-
	<b>Net Financing</b>	<b>10,194</b>	<b>10,194</b>	<b>-</b>
<b>LOANS</b>	Net Loan Repayments (Issues)	(1,901)	(1,901)	-
	<b>CASH</b> Decrease (Increase) in Cash	<u>255</u>	<u>46</u>	<u>(209)</u>
<b>ACCUMULATED DEFICIT</b> Increase in Accumulated Deficit		<b>8,548</b>	<b>8,339</b>	<b>(209)</b>

• Financing requirements for 1994-95 are forecast at \$11,271 million, down \$209 million from the Budget Plan. This is composed of \$6,139 million for funding the operating deficit, \$2,200 million for capital spending, \$1,901 million for alternate capital financing arrangements and net loans, and \$1,031 million for refinancing maturing debt.

• Bond, debenture and note issues launched from the beginning of the fiscal year to December 31, 1994 totalled \$8,640 million. In addition, \$3,000 million was pre-borrowed last year for this fiscal year.



# ONTARIO FINANCES

Ministry of Finance

1995-96 Third Quarter

Quarterly Update  
December 31, 1995

EASON  
TR  
- 0 52

- DEFICIT** • The deficit remains on track at \$9,308 million as reported in the 1995 Fiscal and Economic Statement released November 29, 1995. Included in the deficit outlook is a \$450 million preliminary provision for the write-off of outstanding one-time charges, such as non-profit housing cancellation costs and loan losses from the Ontario Student Assistance Program and the Ontario Development Corporations. Once the precise amounts of these and other charges are determined later this fiscal year, these charges will be taken into account and reported in the 1996 Budget.

9 months  
actual results  
and 3 months  
projected

PSAAB Basis†	1995-96		
	Fiscal Plan*	Current Outlook	In-Year Change
<b>Fiscal Summary (\$ Millions)</b>			
Revenue	46,786	47,168	382
Expense:			
Programs	43,713	43,745	32
Capital	3,412	3,412	-
Public Debt Interest	8,969	8,869	(100)
Total Expense	56,094	56,026	(68)
	<b>9,308</b>	<b>8,858</b>	<b>(450)</b>
Provision for Pending Write-offs	-	450	450
<b>Deficit</b>	<b>9,308</b>	<b>9,308</b>	<b>-</b>
† Public Sector Accounting and Auditing Board (PSAAB) guidelines.			
* As presented in the 1995 Fiscal and Economic Statement, released November 29, 1995.			

- REVENUE** • The revenue outlook for 1995-96 is \$47,168 million, an increase of \$382 million above the fiscal plan in the 1995 Fiscal and Economic Statement.
- The increase in revenue is due primarily to the receipt of a payment from the federal government of \$367 million, as a final settlement of the 1992-93 fiscal stabilization claim. All other revenues are up a net of \$15 million.

- OPERATING EXPENSE** • Operating expense is down a net \$68 million from the fiscal plan, before the provision for write-offs, mainly due to public debt interest savings resulting from lower interest rates and risk management activities.

- CAPITAL EXPENSE** • Capital expense is unchanged from the 1995 Fiscal and Economic Statement at \$3,412 million.

For further information contact  
Communications Services (416) 325-0333  
Frost Building South, Queen's Park  
Toronto M7A 1Y7

Ce rapport est disponible en français.  
Pour de plus amples renseignements,  
communiquez avec les Services des Communications,  
édifice Frost sud, Queen's Park, Toronto M7A 1Y7,  
téléphone : (416) 325-0333.





# Performance

---

## REVENUE

The current outlook for revenue is \$47,168 million, a net increase of \$382 million from the 1995 Fiscal and Economic Statement. Major changes include:

- The Corporations Tax revenue outlook has been increased by \$50 million because of stronger-than-expected profits.
- Ontario received \$367 million from the federal government as final settlement of its 1992-93 fiscal stabilization claim. This revenue was not included in the 1995 Fiscal and Economic Statement.
- The outlook for Fines and Penalties has been revised down by \$25 million due to lower-than-expected receipts.
- The Sales and Rentals revenue forecast for land lease sales has been lowered by \$10 million.

## OPERATING EXPENSE

Operating expense at \$52,614 million is \$68 million lower than the fiscal plan published November 29, 1995. Major changes include:

- Ministry of the Attorney General: an additional \$35 million to pay for accounts received under the Legal Aid plan and \$2 million for the Criminal Injuries Compensation Board. In addition, \$3 million was transferred from the Contingency Fund for compensation of victims of training school abuse.
- Ministry of Education and Training: additional savings of \$1 million resulting from the wind up of the jobsOntario Training program.
- Ministry of Finance: an increase of \$29 million, fully offset from the Contingency Fund, for property assessors' grievance settlement retroactive to May 1988.
- Ministry of Health: additional operating savings of \$4 million in health advertising.
- Public Debt Interest: savings of \$100 million due primarily to lower interest rates and risk management activities.

## CAPITAL EXPENSE

- Capital expense at \$3,412 million remains unchanged from the 1995 Fiscal and Economic Statement

# Revenue

Table 1

PSAAB Basis		1995-96		
		Fiscal Plan	Current Outlook	In-Year Change
		(\$Millions)		
<b>TAXATION REVENUE</b>	Personal Income Tax	15,450	15,450	-
	Retail Sales Tax	9,355	9,355	-
	Corporations Tax	4,590	4,640	50
	Employer Health Tax	2,620	2,620	-
	Gasoline Tax	1,970	1,970	-
	Fuel Tax	510	510	-
	Land Transfer Tax	360	360	-
	Tobacco Tax	330	330	-
	Other Taxation (Includes: Mining Profits Tax, Race Tracks Tax)	247	247	-
		35,432	35,482	50
<b>GOVERNMENT OF CANADA</b>	Established Programs Financing	3,910	3,910	-
	Canada Assistance Plan	2,507	2,507	-
	Fiscal Stabilization	0	367	367
	Young Offenders Act	63	63	-
	National Training Act	59	59	-
	Bilingualism Development	58	58	-
	Vocational Rehabilitation	62	62	-
	Other (Includes: Canada-Ontario Infrastructure Works, Indian Welfare Services)	643	643	-
		7,302	7,669	367
<b>INCOME FROM INVESTMENT IN GOVERNMENT ENTERPRISES *</b>		1,200	1,200	-
<b>OTHER REVENUE</b>	Vehicle/Driver Registration Fees	745	745	-
	Other Fees and Licences	662	662	-
	Liquor Licence Board of Ontario Revenues	535	535	-
	Royalties	236	236	-
	Fines and Penalties	141	116	(25)
	Sales and Rentals	85	75	(10)
	Miscellaneous (Includes: Recoveries, Reimbursements)	448	448	-
		2,852	2,817	(35)
<b>TOTAL REVENUE</b>		<b>46,786</b>	<b>47,168</b>	<b>382</b>

\* Includes the projected net income/(loss) of government enterprises before transfers to/from the Province: Lottery Corp. \$625M, Liquor Control Board \$670M, Casino Corp. \$400M, Ontario Housing Corporation \$(280M), Toronto Area Transit Operating Authority \$(170M), Other \$(45M).

# Operating Expense

Table 2

PSAAB Basis		1995-96		
		Fiscal Plan	Current Outlook	In-Year Change
		(\$Millions)		
<b>MINISTRY</b>	Agriculture, Food and Rural Affairs	446	446	-
	Attorney General	751	791	40
	Board of Internal Economy	185	185	-
	Citizenship, Culture and Recreation	403	403	-
	Community and Social Services	9,027	9,027	-
	Consumer and Commercial Relations	148	148	-
	Economic Development, Trade and Tourism	324	324	-
	Education and Training	8,113	8,112	(1)
	Teachers' Pension	640	640	-
	Environment and Energy	257	257	-
	Executive Offices	12	12	-
	Finance	439	468	29
	Contingency Fund	170	138	(32)
	Public Debt Interest	8,969	8,869	(100)
	Health	17,774	17,770	(4)
	Intergovernmental Affairs	5	5	-
	Labour	144	144	-
	Management Board Secretariat	281	281	-
	Public Service/OPSEU Pension	412	412	-
	Municipal Affairs and Housing	1,678	1,678	-
	Native Affairs Secretariat	19	19	-
	Natural Resources	541	541	-
	Northern Development and Mines	64	64	-
	Office of Francophone Affairs	3	3	-
	Office Responsible for Women's Issues	21	21	-
	Solicitor General and Correctional Services	1,146	1,146	-
	Transportation	810	810	-
	Year-end Savings	(100)	(100)	-
<b>TOTAL OPERATING EXPENSE</b>		<b>52,682</b>	<b>52,614</b>	<b>(68)</b>

# Capital Expense

Table 3

PSAAB Basis		1995-96		
		Fiscal Plan	Current Outlook	In-Year Change
		(\$Millions)		
<b>MINISTRY</b>	Agriculture, Food and Rural Affairs	7	7	-
	Attorney General	-	-	-
	Citizenship, Culture and Recreation	26	26	-
	Community and Social Services	48	48	-
	Economic Development, Trade and Tourism	55	55	-
	Education and Training	443	443	-
	Environment and Energy	248	248	-
	Finance	-	-	-
	Contingency Fund	30	30	-
	Canada-Ontario Infrastructure Works	168	168	-
	Health	181	181	-
	Management Board Secretariat	310	310	-
	Municipal Affairs and Housing	340	340	-
	Native Affairs Secretariat	18	18	-
	Natural Resources	45	45	-
	Northern Development and Mines	199	199	-
	Solicitor General and Correctional Services	3	3	-
	Transportation	1,394	1,394	-
	Year-end Savings	(103)	(103)	-
<b>TOTAL CAPITAL EXPENSE</b>		<b>3,412</b>	<b>3,412</b>	<b>-</b>



# Statement of Financial Transactions Table 4

PSAAB Basis		1995-96		
		Fiscal Plan	Current Outlook	In-Year Change
		(\$Millions)		
<b>FINANCING</b>	Debt Issues	10,712	10,692	(20)
	Debt Retirements:			
	Canada Pension Plan	(784)	(784)	-
	Ontario Teachers' Pension Plan	(198)	(198)	-
	Public Service Pension Plan	(92)	(92)	-
	Ontario Public Service Employees Union (OPSEU) Pension Trust	(43)	(43)	-
	Municipal Employees Retirement Fund	(182)	(182)	-
	Public	(690)	(686)	4
	Other	(11)	(11)	-
		(2,000)	(1,996)	4
	Net Debt Issues	8,712	8,696	(16)
	Province of Ontario Savings Office and Other Liabilities - Net	0	46	46
	Net Financing	8,712	8,742	30
	Net Loan Repayments (Issues)	(16)	(16)	-
	Decrease (Increase) in Cash	0	0	-
	Net Change in Receivables and Payables	612	582	(30)
<b>INCREASE IN ACCUMULATED DEFICIT</b>		<b>9,308</b>	<b>9,308</b>	<b>-</b>

- Debt issues undertaken from the beginning of this fiscal year to December 31, 1995 totalled \$7,297 million: \$6,481 million in bonds, debentures and private placements; \$573 million increase in Treasury Bills and \$243 million in U.S. Commercial Paper. A total of \$3,490 million was pre-borrowed last year for this fiscal year.
- The increase of \$46 million in other liabilities is due to an upward revision of other sources of financing such as trust accounts and pension funds.

## NOTICE:

If you have any comments or suggestions for improving the presentation or content of *Ontario Finances*, please write to:

Ontario Finances REDESIGN  
c/o Communications Services  
5th floor, Frost Building South,  
7 Queen's Park Crescent, Toronto  
M7A 1Y7

Or by E-mail via Internet to [PELLETER@EPO.GOV.ON.CA](mailto:PELLETER@EPO.GOV.ON.CA)

This document is available on the Internet at the following addresses:


Internet address: [HTTP://www.gov.on.ca/FIN/hmpage.html](http://www.gov.on.ca/FIN/hmpage.html)

Gopher address: [gopher.gov.on.ca](http://gopher.gov.on.ca)

# ONTARIO FINANCES

1996-97 FIRST QUARTER

QUARTERLY UPDATE - JUNE 30, 1996

 Ontario  
Ministry of Finance

Government  
Publications

## Fiscal Summary (\$ Millions)

	Interim 1995-96	1996-97		
		Budget Plan	Current Outlook	In-Year Change
Revenue	47,819	46,660	46,685	25
Expense				
Programs	43,652	41,841	41,889	48
Restructuring Fund and Other Charges	1,431	900	900	-
Total Programs Expense	45,083	42,741	42,789	48
Capital	3,510	2,704	2,704	-
Public Debt Interest	8,324	8,745	8,720	(25)
Total Expense	56,917	54,190	54,213	23
Reserve	-	650	650	-
Deficit	9,098	8,180	8,178	(2)

## HIGHLIGHTS

### DEFICIT

- The deficit outlook for 1996-97 at \$8.2 billion remains on track with the government's Balanced Budget Plan to eliminate the deficit by 2000-01. As of June 30, 1996 the deficit is projected at \$8,178 million, down \$2 million from the Budget Plan released in May.

### REVENUE

- The revenue outlook for 1996-97 is revised upward by \$25 million to \$46,685 million primarily due to higher Land Transfer Tax revenue.

### OPERATING EXPENSE

- Operating expense is up a net \$23 million from the Budget Plan mainly due to increased funding requirements for forest fire fighting in Northern Ontario.

### CAPITAL EXPENSE

- Capital expense remains unchanged from the Budget Plan at \$2,704 million.

For further information contact  
Communications Services (416) 325-0333  
Frost Building South, Queen's Park  
Toronto M7A 1Y7

Ce rapport est disponible en français.  
Pour de plus amples renseignements,  
communiquez avec les Services des Communications,  
édifice Frost sud, Queen's Park, Toronto M7A 1Y7  
téléphone : (416) 325-0333.

This document is available on the Internet at:  
Internet address: <http://www.gov.on.ca/fin/hmpage.html>

# ONTARIO FINANCES

## DETAILS OF IN-YEAR CHANGES

---

### FISCAL PERFORMANCE

#### REVENUE

- The current outlook for revenue is \$46,685 million, \$25 million above the Budget Plan.
- The Land Transfer Tax outlook has been increased by \$20 million as a result of the stronger-than-expected real estate market.
- Miscellaneous revenue is \$5 million higher due primarily to increased reimbursements from the approval of contracts with Orillia, Fort Frances and Mitchell for the OPP to provide policing services.

#### OPERATING EXPENSE

- Operating expense at \$51,509 million is \$23 million above the Budget Plan. Major changes include:
  - Ministry of Consumer and Commercial Relations: an expenditure increase of \$10 million in interim financial assistance to the horse racing industry for Sire Stakes, overnight purse supplements and equine research. The Racetracks Tax Sharing Arrangement is to be replaced by the pari-mutuel tax reduction announced in the Budget. Also, an extra \$2 million was approved for the Gaming Control Commission for regulating of the Niagara Casino.
  - Ministry of Education and Training: an additional \$5 million for the Summer Youth Employment Program, fully offset from the Contingency Fund. The total number of provincially funded student placements will now be increased by 20 per cent, or almost 5,000 more jobs than last year, for a total of 29,000 placements.
  - Ministry of Natural Resources: an additional \$50 million, of which \$18 million comes from the Contingency Fund, to combat the increase in forest fires this year.
  - Ministry of the Solicitor General and Correctional Services: an expenditure increase of \$4 million as the OPP has signed contracts with Orillia, Fort Frances and Mitchell to provide municipal policing services. These costs are recovered.
  - Public Debt Interest: savings of \$25 million realized to date due to lower interest rates than forecast in the Budget, reflecting the government's cautious approach in its interest rate forecasts.

#### CAPITAL EXPENSE

- Capital expense at \$2,704 million remains unchanged from the Budget Plan.



# ONTARIO FINANCES

## DETAILS OF IN-YEAR CHANGES (CONTINUED)

---

### ECONOMIC PERFORMANCE

#### ONTARIO ECONOMY OUTPACES NATIONAL ECONOMY IN 1995

- Ontario real GDP rose 3.2 per cent in 1995, second strongest among the provinces and well above the national average of 2.3 per cent.
- In the first quarter of 1996, Canadian real GDP rose at an annualized rate of 1.2 per cent. Preliminary data indicate that Ontario's economy was weaker than Canada in 1996:1, reflecting the impact of the strike in the Ontario public service, and the March shutdown of several auto plants in Ontario resulting from U.S. strike activity in Dayton, Ohio.

#### ONTARIO EMPLOYMENT GROWTH CONTINUES IN 1996

- Over the first six months of 1996, private sector employment is up 86,000 from a year earlier, more than offsetting a 28,000 decline in public sector employment.

#### ONTARIO EXPORTS INCREASE IN 1996

- Over the first five months of 1996, Ontario merchandise exports rose 5.0 per cent over a year ago, despite temporary auto plant closures for inventory correction and strike activity in the U.S.

#### HOUSING MARKET CONTINUES TO IMPROVE

- Over the first five months of 1996, Ontario home resales rose 32.5 per cent, while Toronto new home sales jumped 67 per cent. The strong showing in home sales so far this year reflects rising consumer confidence, and the best home ownership affordability in more than a decade.
- In May and June, Ontario urban-area housing starts, averaging 41,300 units, reached their highest level in almost two years.

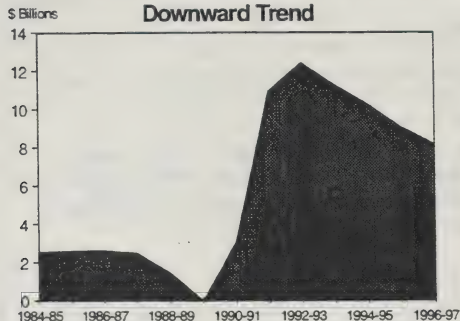
#### ONTARIO INFLATION REMAINS LOW IN JUNE

- The Ontario CPI inflation rate (year-over-year) was 1.2 per cent in June, down slightly from 1.3 per cent in May. This is the seventh straight month that inflation has been under 2 per cent.

# ONTARIO FINANCES

## SELECTED FISCAL INDICATORS

**Ontario's Deficit is on a Downward Trend**

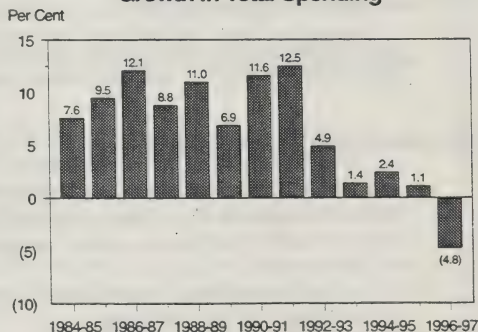


Note: Prior to 1993-94 data on a modified cash basis

Ontario's deficit is steadily declining from the historic high set in the early 1990s. As of June 30th, Ontario's deficit for 1996-97 is estimated at \$8.2 billion.

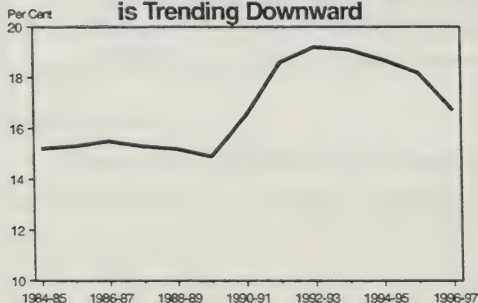
As part of its Balanced Budget Plan to eliminate the deficit by 2000-01, the government outlined spending reductions for 1996-97 and beyond in the November 1995 Fiscal and Economic Statement. The savings from these measures laid the foundation for a balanced budget by the fiscal year 2000-01.

**Growth in Total Spending**



Note: Prior to 1993-94, data on a modified cash basis

**Spending to GDP Ratio is Trending Downward**



Note: Prior to 1993-94 data on a modified cash basis

As a share of Gross Domestic Product (GDP), Ontario's spending is steadily tracking downward since the early 1990s and currently stands at 16.7 per cent for 1996-97.



# ONTARIO FINANCES

## RECENT ECONOMIC DEVELOPMENTS

### KEY ECONOMIC INDICATORS

(% Change from previous Period), unless indicated otherwise

		Annual	Annual	Quarterly				
		1994	1995	95:1	95:2	95:3	95:4	96:1
Output								
(Seasonally Adjusted Annual Rate)								
Real GDP	Ontario	4.7	3.2	(0.3)	(2.6)	7.8	4.7	N/A
	Canada	4.1	2.3	1.6	(1.0)	1.2	0.9	1.2
Nominal GDP	Ontario	4.3	4.1	2.7	0.4	8.2	5.4	N/A
	Canada	4.8	3.9	4.0	1.8	3.0	1.2	0.4

		Annual	Annual	Monthly 1996				
		1994	1995	Feb	Mar	Apr	May	Jun
Other Indicators (Seasonally Adjusted)								
Labour Markets								
Labour Force (Change in 000s)	Ontario	15	25	38	(4)	14	(14)	24
Employment (Change in 000s)								
Private Sector	Ontario	73	116	27	14	0	(28)	8
Public Sector	Ontario	(2)	(45)	4	(15)	8	11	(12)
Unemployment Rate (%)	Ontario	9.6	8.7	8.9	8.9	9.0	9.1	9.5
Household Sector								
Retail Sales	Ontario	6.7	3.1	(1.8)	1.1	0.0	(0.6)	N/A
Urban Housing Starts (000s)	Ontario	46.6	35.8	32.7	34.2	28.0	41.4	41.2
New Home Sales*	Toronto	49.8	(24.0)	106.2	82.7	81.9	52.6	N/A
MLS Home Sales*	Ontario	6.7	(11.1)	48.1	38.9	43.4	14.9	N/A
Manufacturing Shipments								
Motor Vehicle Shipments	Ontario	13.2	10.4	(0.7)	(3.4)	4.5	1.6	N/A
Consumer Price Index: All Items								
	Ontario	0.1	2.4	1.2	1.3	1.4	1.3	1.2

Sources: Statistics Canada, Ontario Ministry of Finance, Canada Mortgage and Housing Corporation, Toronto Real Estate Board, Canadian Real Estate Association, Ward's Automotive.

\* % change from a year earlier



# **ONTARIO FINANCES**

## **FINANCIAL TABLES**

# REVENUE

(\$ Millions)	Interim 1995-96	1996-97		
		Budget Plan	Current Outlook	In-Year Change
TAXATION REVENUE				
Personal Income Tax	15,443	15,213	15,213	--
Retail Sales Tax	9,355	9,520	9,520	--
Corporations Tax	5,110	5,370	5,370	--
Employer Health Tax	2,670	2,665	2,665	--
Gasoline Tax	1,950	1,985	1,985	--
Fuel Tax	510	520	520	--
Tobacco Tax	330	330	330	--
Land Transfer Tax	346	365	385	20
Other Taxation	279	200	200	--
	35,993	36,168	36,188	20
GOVERNMENT OF CANADA				
Canada Health and Social Transfer	-	5,260	5,260	--
Established Programs Financing	3,921	-	-	--
Canada Assistance Plan	2,508	-	-	--
Fiscal Stabilization	367	-	-	--
National Training Act	61	26	26	--
Bilingualism Development	58	50	50	--
Young Offenders	63	59	59	--
Vocational Rehabilitation	63	46	46	--
Canada-Ontario Infrastructure Works	313	223	223	--
Other	370	366	366	--
	7,724	6,030	6,030	-
INCOME FROM GOVERNMENT ENTERPRISES				
Ontario Lottery Corporation	645	736	736	--
Liquor Control Board of Ontario	669	685	685	--
Ontario Casino Corporation	419	575	575	--
Ontario Housing Corporation	(268)	(232)	(232)	--
GO Transit	(170)	(157)	(157)	--
Other	22	75	75	--
	1,317	1,682	1,682	-
OTHER REVENUE				
Vehicle/Driver Registration Fees	760	790	790	--
Other Fees and Licences	670	680	680	--
Liquor Licence Board of Ontario Revenues	530	530	530	--
Royalties	242	260	260	--
Sales and Rentals	56	67	67	--
Fines and Penalties	105	100	100	--
Miscellaneous	422	353	358	5
	2,785	2,780	2,785	5
TOTAL REVENUE	47,819	46,660	46,685	25



# OPERATING EXPENSE

(\$ Millions)		1996-97		
MINISTRY	Interim 1995-96	Budget Plan	Current Outlook	In-Year Change
Agriculture, Food and Rural Affairs	422	425	425	--
Attorney General	753	637	637	--
Board of Internal Economy	210	120	120	--
Citizenship, Culture and Recreation	376	322	322	--
Community and Social Services	8,770	8,200	8,200	--
Consumer and Commercial Relations	141	110	122	12
Economic Development, Trade and Tourism	438	245	245	--
Education and Training	8,156	7,601	7,606	5
- Teachers' Pension Plan	795	902	902	--
Environment and Energy	243	172	172	--
Executive Offices	13	13	13	--
Finance - Own Account	683	392	392	--
- Public Debt Interest	8,324	8,745	8,720	(25)
Health	17,679	17,718	17,718	--
Intergovernmental Affairs	5	5	5	--
Labour	141	115	115	--
Management Board Secretariat	625	432	432	--
- Public Service/OPSEU Pension Plan	734	284	284	--
- Contingency Fund	-	213	190	(23)
- Employee Severance	520	-	-	--
Municipal Affairs and Housing	1,793	1,888	1,888	--
Native Affairs Secretariat	16	13	13	--
Natural Resources	523	373	423	50
Northern Development & Mines	49	42	42	--
Office of Francophone Affairs	3	2	2	--
Office Responsible for Women's Issues	20	17	17	--
Solicitor General and Correctional Services	1,133	1,116	1,120	4
Transportation	842	684	684	--
Restructuring Fund	-	900	900	--
Year-end Savings	-	(200)	(200)	--
<b>TOTAL OPERATING EXPENSE</b>	<b>53,407</b>	<b>51,486</b>	<b>51,509</b>	<b>23</b>



# CAPITAL EXPENSE

(\$ Millions)		1996-97		
MINISTRY	Interim 1995-96	Budget Plan	Current Outlook	In-Year Change
Agriculture, Food and Rural Affairs	5	-	-	--
Attorney General	17	46	46	--
Citizenship, Culture and Recreation	24	6	6	--
Community and Social Services	25	38	38	--
Economic Development, Trade and Tourism	112	41	41	--
Education and Training	576	222	222	--
Environment and Energy	232	196	196	--
Health	135	167	167	--
Management Board Secretariat	248	146	146	--
- Contingency Fund	-	14	14	--
Municipal Affairs and Housing	483	332	332	--
Native Affairs Secretariat	10	15	15	--
Natural Resources	47	32	32	--
Northern Development & Mines	173	228	228	--
Solicitor General and Correctional Services	3	6	6	--
Transportation	1,420	1,215	1,215	--
<b>TOTAL CAPITAL EXPENSE</b>	<b>3,510</b>	<b>2,704</b>	<b>2,704</b>	<b>--</b>

# STATEMENT OF FINANCIAL TRANSACTIONS

(\$ Millions)	Interim 1995-96	1996-97		
		Budget Plan	Current Outlook	In-year Change
Deficit	9,098	8,180	8,178	(2)
Cash Timing Adjustment	(2,360)	90	90	--
Borrowing on Behalf of Agencies	442	533	533	--
Maturing Debt	2,142	6,086	6,086	--
Total Financing Requirements	9,322	14,889	14,887	(2)
Financed by:				
(Increase)/ Decrease in Liquid Reserves	(2,962)	4,705	4,703	(2)
Other Sources	255	184	184	--
Debt Issues	12,029	10,000	10,000	--
<b>TOTAL FINANCING</b>	<b>9,322</b>	<b>14,889</b>	<b>14,887</b>	<b>(2)</b>

## 1996-97 FINANCING ACTIVITIES TO DATE

(\$ Millions)	Issued	Remaining	% Completed
	(as of June 30th)		
Debt issues	2,076	7,924	20.8

- The province's total financing requirement for the 1996-97 fiscal year is \$14,887 million. Of the total financing requirement, it is expected that \$10,000 million will be borrowed from public sources and \$184 million from other sources such as the Province of Ontario Savings Office. The remaining financing of \$4,703 million will be met by reducing liquid reserves.
- Maturing debt in the first quarter totalled \$2,465 million. The remaining \$88 million in outstanding callable debentures due December 1, 1997, were called as of June 1, 1996.
- Debt issues undertaken in this quarter totalled \$2,076 million. \$1,030 million of this was from Ontario Savings Bonds; \$88 million was from the Canadian domestic market; \$163 million was raised in the EuroMedium Term Note market; and \$795 million was from a French franc Eurobond issue.
- The Province's total direct debt is forecast to be \$102.8 billion on March 31, 1997, up from \$98.7 billion at March 31, 1996.



# ONTARIO FINANCES

1-97 SECOND QUARTER

QUARTERLY UPDATE - SEPTEMBER 30, 1996

 Ontario  
Ministry of Finance

Government  
Publication

## Financial Summary (Millions)

	Actual 1995-96	1996-97		
		Budget Plan	Current Outlook	In-Year Change
<b>Revenue</b>	48,359	46,660	46,685	25
<b>Expense</b>				
Programs	44,005	41,841	41,899	58
Restructuring Fund and Other Charges	1,352	900	900	-
<b>Total Programs Expense</b>	45,357	42,741	42,799	58
Capital	3,473	2,704	2,689	(15)
Public Debt Interest	8,255	8,745	8,720	(25)
<b>Total Expense</b>	57,085	54,190	54,208	18
Reserve	-	650	650	-
<b>Deficit</b>	8,726	8,180	8,173	(7)



## HIGHLIGHTS

### 1995-96 PUBLIC ACCOUNTS

- The Public Accounts released September 30th, reported the 1995-96 audited, actual deficit at \$8,726 million, down \$372 million from the \$9,098 million interim deficit forecast in the 1996 Budget. This improvement was due to revenue being \$540 million higher than anticipated in the Budget, offset by increased expense of \$168 million.

### 1996-97 IN-YEAR PERFORMANCE

#### DEFICIT

- The 1996-97 deficit, at \$8,173 million, is down \$7 million from the Budget Plan and \$5 million lower than first quarter results.

#### REVENUE

- The revenue outlook for 1996-97 is \$46,685 million, \$25 million above the 1996 Budget outlook and unchanged from the level reported in the First Quarter Ontario Finances.

#### EXPENSE

- Total expense, at \$54,208 million, is up \$18 million from the Budget Plan and down \$5 million from first quarter results.

#### RESERVE

- The reserve, designed to protect the fiscal plan against unexpected and adverse changes in the economic outlook and its impact on revenues and public debt interest costs, is maintained at \$650 million. If this reserve is not required, it will be applied directly towards deficit reduction.

For further information contact  
Communications Services (416) 325-0333  
Frost Building South, Queen's Park  
Toronto M7A 1Y7

Ce rapport est disponible en français.  
Pour de plus amples renseignements,  
communiquiez avec les Services des Communications,  
édifice Frost sud, Queen's Park, Toronto M7A 1Y7  
téléphone : (416) 325-0333.

This document is available on the Internet at:  
Internet address: <http://www.gov.on.ca/fin/hmpage.html>



# ONTARIO FINANCES

## DETAILS OF IN-YEAR CHANGES

---

### FISCAL PERFORMANCE

#### REVENUE

- The current revenue outlook of \$46,685 million is \$25 million above the Budget Plan and unchanged from the outlook in the First Quarter Ontario Finances.
- Major revenue changes this quarter are:
  - The taxation revenue outlook is increased by \$40 million. Corporations Tax revenue is revised upward by \$20 million, reflecting the strength of receipts so far this year. Projected Race Tracks Tax is increased by \$20 million due to the new implementation date of the tax rate cut on pari-mutuel betting, a 1996 Budget initiative.
  - Income from the Ontario Lottery Corporation has been lowered by \$25 million. This results from lower-than-projected Video Lottery income.
  - Other Revenue is \$15 million lower from Miscellaneous revenue sources. Later-than-expected implementation of Charity Gaming Halls resulted in a projected decline of \$20 million in table game revenues. This was partially offset by a \$5 million gain from the Victim Justice Fund that will fund increased spending for programs to assist victims of crime.

#### OPERATING EXPENSE

- Operating expense at \$51,519 million is up \$33 million from the Budget Plan. Major changes resulting in a net increase in operating expense of \$10 million this quarter include:
  - Ministry of the Attorney General: an expenditure increase of \$4 million for victims of abuse in provincial institutions, fully offset from the Contingency Fund; savings of \$5 million in the Family Support Plan; an expenditure increase of \$3 million for the Victim/Witness Assistance Program, offset by revenues from the Victim Justice Fund.
  - Ministry of Community and Social Services: expenses for the child nutrition initiative are lower by \$2 million this year, reflecting program requirements, as funding committed in the 1996 Budget will be flowed over two years rather than one.
  - Ministry of Consumer and Commercial Relations: an expenditure increase of \$10 million in interim financial assistance to the horse racing industry for Sire Stakes, overnight purse supplements and equine research. This expenditure increase will be fully offset by an increase in provincial tax revenues on horse racing collected between July 1 and September 30, 1996. Effective September 30, 1996, the Racetracks Tax Sharing Arrangement was replaced by the pari-mutuel tax reduction announced in the Budget.
  - Ministry of Economic Development, Trade and Tourism: savings of \$4 million resulting from the merger of the Telecommunications Assistance Program with the Ontario Network Infrastructure Program. In addition, the merger has resulted in capital savings of \$20 million.
  - Ministry of Finance: an expenditure increase of \$10 million for the property reassessment initiative; and an expenditure increase of \$9 million to implement Budget tax initiatives, \$6 million of which are fully offset from the Contingency Fund.



# ONTARIO FINANCES

## DETAILS OF IN-YEAR CHANGES

---

### FISCAL PERFORMANCE Cont'd

#### OPERATING EXPENSE CONT'D

- Ministry of Natural Resources: an additional \$7 million for office closures and consolidations fully offset from the Contingency Fund.
- Office Responsible for Women's Issues: savings of \$2 million as responsibility for funding the Victim/Witness Assistance Program and Victim Crisis Assistance and Referral Service have been transferred to the Ministries of the Attorney General, and the Solicitor General and Correctional Services.
- Ministry of the Solicitor General and Correctional Services: an expenditure increase of \$2 million for the Victim Crisis Assistance and Referral Service, Victim Justice Community Grants and automated victim notification systems, offset by revenues from the Victim Justice Fund; and an additional \$2 million to facilitate office closures and consolidations, and the amalgamation of communication centres, fully offset from the Contingency Fund.

#### CAPITAL EXPENSE

- Capital expense at \$2,689 million is down \$15 million from the Budget Plan and first quarter results. Changes this quarter are as follows:
  - Ministry of Economic Development, Trade and Tourism: savings of \$20 million resulting from the merger of the Telecommunications Assistance Program with the Ontario Network Infrastructure Program. In addition, the merger has resulted in operating savings of \$4 million.
  - Ministry of Natural Resources: an extra \$2 million in capital expense to facilitate office closures and consolidations, offset by a reduction in the Operating Contingency Fund.
  - Ministry of the Solicitor General and Correctional Services: an additional \$3 million for expanded DNA facilities at the Centre of Forensic Sciences, fully offset from the Capital Contingency Fund and an extra \$3 million in capital expense to facilitate office closures and consolidations, offset by a reduction in the Operating Contingency Fund.

# ONTARIO FINANCES

## ECONOMIC PERFORMANCE

---

### ONTARIO ECONOMIC GROWTH LED BY EXPORTS IN APRIL-JUNE PERIOD

- In the second quarter of 1996, Ontario real GDP rose at an annualized rate of 2.0%, ahead of the national growth rate of 1.3%. Real growth was led by a rebound in exports, notably automobiles, and a continuing strong housing sector.

### ONTARIO EMPLOYMENT GROWTH CONTINUES IN 1996

- In the third quarter of 1996 (July-September period) Ontario gained 45,000 jobs.

### PRIVATE SECTOR SHOWS STRONG JOB GAINS IN 1996

- Over the first nine months of 1996, Ontario's private sector created 90,000 net new jobs, more than offsetting a 14,000 decline in public sector employment.

### ONTARIO AUTO PRODUCTION UP STRONGLY IN JULY-SEPTEMBER PERIOD

- In the third quarter of 1996, Ontario automobile production rose 10.6% from a year ago, up strongly for the second straight quarter.

### ONTARIO EXPORTS NEAR RECORD LEVELS

- In the second quarter of 1996, Ontario exports (international + interprovincial) totalled \$189.7 billion in annualized 1986 dollars, the second highest level on record, while the real trade surplus expanded to \$18.2 billion, the largest since 1985.

### HOUSING MARKET CONTINUES TO IMPROVE

- Over the first eight months of 1996, Ontario home resales rose 25.8%, while Toronto new home sales jumped 46.2%. In September, Toronto home resales recorded its best September sales level since 1986.

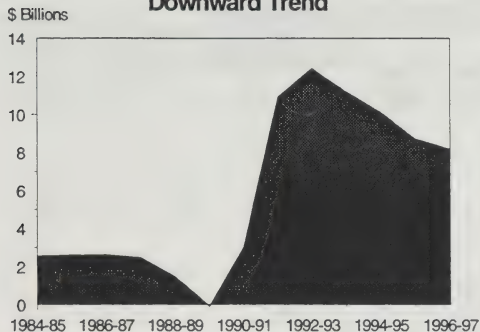
### ONTARIO INFLATION REMAINS LOW IN AUGUST

- The Ontario CPI inflation rate (year-over-year) was 1.3% in August. This is the ninth straight month that inflation is under 2%.

# ONTARIO FINANCES

## SELECTED FISCAL INDICATORS

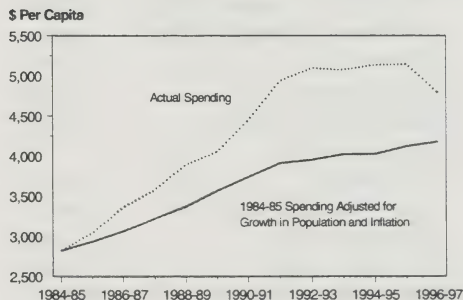
**Ontario's Deficit is on a Downward Trend**



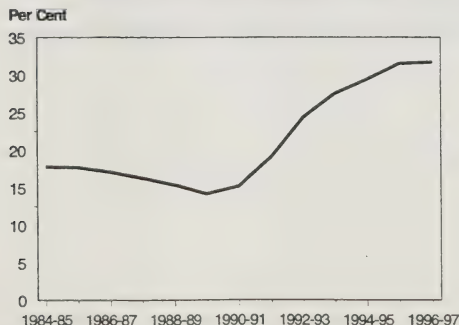
Ontario's deficit is steadily declining from the historic high set in the early 1990s. As of September 30th, Ontario's deficit for 1996-97 is on track at \$8.2 billion.

Between 1984-85 and June 1995, when this government assumed office, spending had increased at a much faster pace than the growth in population and inflation. As a result of the government's focus on business planning, total spending will have dropped by almost \$3 billion by the end of 1996-97, helping to return Ontario's spending to more manageable and affordable levels.

**Spending has Grown Faster Than the Growth in Population and Inflation**



**Ontario Debt as a Percent of GDP**



Since the early 1990s, debt as a percent of the province's gross domestic product had been rapidly increasing. In 1996-97, Ontario's debt to GDP ratio stands at 31.7 percent. The government's Balanced Budget Plan to eliminate the deficit by 2000-01 will stop the growth in Ontario's debt.

# ONTARIO FINANCES

## RECENT ECONOMIC DEVELOPMENTS

KEY ECONOMIC INDICATORS								
(% Change from previous Period), unless indicated otherwise								
		Annual 1994	Annual 1995	Quarterly				
				95:2	95:3	95:4	96:1	96:2
<b>Output</b> (Seasonally Adjusted Annual Rate)								
Real GDP	Ontario	4.7	3.2	(2.6)	7.8	4.7	(0.9)	2.0
	Canada	4.1	2.3	(1.0)	1.2	0.9	1.3	1.3
Nominal GDP	Ontario	4.3	4.1	0.4	8.2	5.4	(1.0)	3.8
	Canada	4.8	3.9	1.8	3.0	1.2	0.9	3.1
		Annual 1994	Annual 1995	Monthly 1996				
				May	Jun	Jul	Aug	Sept
<b>Other Indicators (Seasonally Adjusted)</b>								
<b>Labour Markets</b>								
Labour Force (Change in 000s)	Ontario	15	25	(14)	24	13	14	8
Employment (Change in 000s)	Ontario	71	71	(17)	(4)	31	51	(35)
Private Sector	Ontario	73	116	(28)	8	11	40	(24)
Public Sector	Ontario	(2)	(45)	11	(12)	20	11	(11)
Unemployment Rate (%)	Ontario	9.6	8.7	9.1	9.5	9.2	8.5	9.2
<b>Household Sector</b>								
Retail Sales	Ontario	6.7	3.1	(0.5)	0.7	0.3	N/A	N/A
Urban Housing Starts (000s)	Ontario	46.6	35.8	41.4	41.1	39.7	39.6	42.8
New Home Sales*	Toronto	49.8	(24.0)	52.6	28.1	16.6	15.0	39.4
MLS Home Sales*	Ontario	8.8	(8.8)	29.0	8.9	14.9	(3.2)	N/A
<b>Manufacturing Shipments</b>								
Motor Vehicle Shipments	Ontario	15.4	12.3	6.4	(0.2)	4.4	(2.3)	N/A
<b>Consumer Price Index: All Items</b>								
	Ontario	0.1	2.4	1.3	1.2	1.2	1.3	N/A
Sources: Statistics Canada, Ontario Ministry of Finance, Canada Mortgage and Housing Corporation, Toronto Real Estate Board, Canadian Real Estate Association, Ward's Automotive.								

Sources: Statistics Canada, Ontario Ministry of Finance, Canada Mortgage and Housing Corporation, Toronto Real Estate Board, Canadian Real Estate Association, Ward's Automotive.

\* % change from a year earlier

**ONTARIO FINANCES**  
**FINANCIAL TABLES**



# REVENUE

(\$ Millions)	Actual 1995-96	1996-97		In-Year Change
		Budget Plan	Current Outlook	
<b>TAXATION REVENUE</b>				
Personal Income Tax	15,633	15,213	15,213	--
Retail Sales Tax	9,424	9,520	9,520	--
Corporations Tax	5,174	5,370	5,390	20
Employer Health Tax	2,695	2,665	2,665	--
Gasoline Tax	1,944	1,985	1,985	--
Fuel Tax	500	520	520	--
Tobacco Tax	337	330	330	--
Land Transfer Tax	342	365	385	20
Other Taxation	267	200	220	20
	<b>36,316</b>	<b>36,168</b>	<b>36,228</b>	<b>60</b>
<b>GOVERNMENT OF CANADA</b>				
Canada Health and Social Transfer	-	5,260	5,260	--
Established Programs Financing	3,820	-	-	--
Canada Assistance Plan	2,508	-	-	--
Fiscal Stabilization	367	-	-	--
National Training Act	55	26	26	--
Bilingualism Development	62	50	50	--
Young Offenders Act	61	59	59	--
Vocational Rehabilitation	63	46	46	--
Canada-Ontario Infrastructure Works	351	223	223	--
Other	358	366	366	--
	<b>7,645</b>	<b>6,030</b>	<b>6,030</b>	<b>--</b>
<b>INCOME FROM GOVERNMENT ENTERPRISES</b>				
Ontario Lottery Corporation	651	736	711	(25)
Liquor Control Board of Ontario	667	685	685	--
Ontario Casino Corporation	422	575	575	--
Ontario Housing Corporation	(255)	(232)	(232)	--
GO Transit	(208)	(157)	(157)	--
Other	(10)	75	75	--
	<b>1,267</b>	<b>1,682</b>	<b>1,657</b>	<b>(25)</b>
<b>OTHER REVENUE</b>				
Vehicle/Driver Registration Fees	736	790	790	--
Other Fees and Licences	631	680	680	--
Liquor Licence Board of Ontario Revenues	530	530	530	--
Royalties	263	260	260	--
Sales and Rentals	81	67	67	--
Fines and Penalties	143	100	100	--
Miscellaneous	747	353	343	(10)
	<b>3,131</b>	<b>2,780</b>	<b>2,770</b>	<b>(10)</b>
<b>TOTAL REVENUE</b>	<b>48,359</b>	<b>46,660</b>	<b>46,685</b>	<b>25</b>

# OPERATING EXPENSE

(\$ Millions)		1996-97		
MINISTRY	Actual 1995-96	Budget Plan	Current Outlook	In-Year Change
Agriculture, Food and Rural Affairs	420	425	425	--
Attorney General	1,085	637	639	2
Board of Internal Economy	206	120	120	--
Citizenship, Culture and Recreation	363	322	322	--
Community and Social Services	8,816	8,200	8,198	(2)
Consumer and Commercial Relations	140	110	132	22
Economic Development, Trade and Tourism	385	245	241	(4)
Education and Training	8,390	7,601	7,606	5
- Teachers' Pension Plan	812	902	902	--
Environment and Energy	239	172	172	--
Executive Offices	13	13	13	--
Finance - Own Account	701	392	411	19
- Public Debt Interest	8,255	8,745	8,720	(25)
Health	17,607	17,718	17,718	--
Intergovernmental Affairs	5	5	5	--
Labour	135	115	115	--
Management Board Secretariat	534	432	432	--
- Public Service/OPSEU Pension Plan	685	284	284	--
- Contingency Fund	-	213	166	(47)
- Employee Severance	420	-	-	--
Municipal Affairs and Housing	1,802	1,888	1,888	--
Native Affairs Secretariat	16	13	13	--
Natural Resources	519	373	430	57
Northern Development & Mines	66	42	42	--
Office of Francophone Affairs	2	2	2	--
Office Responsible for Women's Issues	18	17	15	(2)
Solicitor General and Correctional Services	1,111	1,116	1,124	8
Transportation	867	684	684	--
Restructuring Fund	-	900	900	--
Year-end Savings	-	(200)	(200)	--
<b>TOTAL OPERATING EXPENSE</b>	<b>53,612</b>	<b>51,486</b>	<b>51,519</b>	<b>33</b>

# CAPITAL EXPENSE

(\$ Millions)		1996-97		
MINISTRY	Actual 1995-96	Budget Plan	Current Outlook	In-Year Change
Agriculture, Food and Rural Affairs	5	-	-	--
Attorney General	-	46	46	--
Citizenship, Culture and Recreation	29	6	6	--
Community and Social Services	14	38	38	--
Economic Development, Trade and Tourism	113	41	21	(20)
Education and Training	559	222	222	--
Environment and Energy	238	196	196	--
Finance - Own Account	1	-	-	--
Health	168	167	167	--
Management Board Secretariat	272	146	146	--
- Contingency Fund	-	14	11	(3)
Municipal Affairs and Housing	531	332	332	--
Native Affairs Secretariat	9	15	15	--
Natural Resources	47	32	34	2
Northern Development & Mines	163	228	228	--
Solicitor General and Correctional Services	2	6	12	6
Transportation	1,322	1,215	1,215	--
<b>TOTAL CAPITAL EXPENSE</b>	<b>3,473</b>	<b>2,704</b>	<b>2,689</b>	<b>(15)</b>



# STATEMENT OF FINANCIAL TRANSACTIONS

(\$ Millions)	Actual 1995-96	1996-97		
		Budget Plan	Current Outlook	In-year Change
Deficit	8,726	8,180	8,173	(7)
Cash Timing Adjustments:				
Net change in Receivables and Payables	(1,915)	90	90	0
Net Borrowing on Behalf of Agencies	(129)	533	533	0
Maturing Debt	2,142	6,086	6,086	0
Total Financing Requirements	8,824	14,889	14,882	(7)
Financed by:				
(Increase)/ Decrease in Liquid Reserves	(3,325)	4,705	4,698	(7)
Other Sources	120	184	184	0
Debt Issues	12,029	10,000	10,000	0
<b>TOTAL FINANCING</b>	<b>8,824</b>	<b>14,889</b>	<b>14,882</b>	<b>(7)</b>

## 1996-97 FINANCING ACTIVITIES TO DATE

(\$ Millions)	Issued		
	(as of September 30th)	Remaining	% Completed
DEBT ISSUES*	4,458	5,542	45%

\* Includes planned short-term borrowing of \$706 million

- The Province's total financing requirements for the 1996-97 fiscal year are \$14,882 million. This includes the deficit of \$8,173 million, a net change of \$90 million in receivables and payables, net borrowing of \$533 million on behalf of agencies, and \$6,086 million in maturing debt. Planned borrowing for 1996-97 totals \$10,184 million, of which \$10,000 million is expected from public sources (including an increase of \$706 million from short-term debt, mainly Treasury bills), while \$184 million is expected from other sources such as the Province of Ontario Savings Office (POSO). The balance of \$4,698 million will be met by reducing liquid reserves.
- Maturing debt in the second quarter totalled \$1,559 million, for a total of \$4,024 million in the first half of this fiscal year.
- Long-term debt issues undertaken in this quarter totalled \$1,676 million. \$908 million was from the Canadian domestic market; \$453 million was raised in the EuroMedium Term Note market; and \$315 million came from the Province's first Japanese domestic (samurai) issue.
- Provincial purpose debt is forecast to be \$102.7 billion on March 31, 1997, up from \$98.6 billion at March 31, 1996.

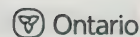




# ONTARIO FINANCES

1996-97 THIRD QUARTER

QUARTERLY UPDATE - DECEMBER 31, 1996



Ministry of Finance

## Fiscal Summary (\$ Millions)

	Actual 1995-96	1996-97		
		Budget Plan	Current Outlook	In-Year Change
Revenue	48,359	46,660	47,830	1,170
Expense				
Programs	45,357	42,741	43,154	413
Capital	3,473	2,704	3,148	444
Public Debt Interest	8,255	8,745	8,550	(195)
Total Expense	57,085	54,190	54,852	662
Reserve	-	650	650	-
Deficit	8,726	8,180	7,672	(508)

## HIGHLIGHTS

### 1996-97 IN-YEAR PERFORMANCE

#### DEFICIT OUTLOOK REDUCED TO \$7.7 BILLION

- The 1996-97 deficit, at \$7,672 million, is down \$508 million from the Budget Plan and \$501 million lower than second quarter results.

#### REVENUE AT \$47.8 BILLION

- The revenue outlook for 1996-97 is \$47,830 million, \$1,170 million above the 1996 Budget Plan and \$1,145 million higher than the level reported in the Second Quarter Ontario Finances. The increase is primarily due to higher-than-estimated Personal Income Tax revenue and the strength of the Ontario economy.

#### EXPENSE AT \$54.9 BILLION

- Total expense, at \$54,852 million, is up \$662 million from the Budget Plan and up \$644 million from second quarter results, mainly due to an increased allocation to the Restructuring Fund.
- The Restructuring Fund, included in Programs expense, has been increased by \$900 million to \$1.8 billion. Funds have been distributed for the Social Assistance Reserve (\$700 million), the Municipal Capital and Operating Restructuring Fund (\$250 million), the Teachers' Pension Plan Arbitration Award (\$100 million), a provision for a proposed extension to Canada-Ontario Infrastructure Works (\$200 million) and for the transfer of highways to municipalities and the acceleration of construction of Highway 416 (\$67 million) as announced in the Budget.

#### RESERVE AT \$650 MILLION

- The reserve, designed to protect the fiscal plan against unforeseen risks such as unexpected and adverse changes in the economic outlook and its impact on revenues and public debt interest costs, is maintained at \$650 million. If this reserve is not required, it will be applied directly towards deficit reduction.

For further information contact  
Communications Services (416) 325-0333  
Frost Building South, Queen's Park  
Toronto M7A 1Y7

Ce rapport est disponible en français.  
Pour de plus amples renseignements,  
communiquiez avec les Services des Communications,  
édifice Frost sud, Queen's Park, Toronto M7A 1Y7  
téléphone : (416) 325-0333.

This document is available on the Internet at:  
Internet address: <http://www.gov.on.ca/fin/hmpage.html>

# ONTARIO FINANCES

## DETAILS OF IN-YEAR CHANGES

---

### FISCAL PERFORMANCE

#### REVENUE CHANGES SINCE SECOND QUARTER

- Total revenue is \$47,830 million, \$1,145 million above the projection in the Second Quarter Ontario Finances and \$1,170 million above the Budget Plan. Higher-than-estimated Personal Income Tax (PIT) revenue is the largest component of the gain. The PIT projection for 1996-97 is \$970 million above the second quarter projection and the Budget Plan. Data received from Revenue Canada on the assessment of 1995 PIT returns indicates that 1995 PIT is higher than expected. Under PSAAB guidelines, Ontario is required to record this year, the difference between the higher estimate and the published actual 1995-96 PIT figures.
- Other major changes this quarter include:
  - The Retail Sales Tax forecast is \$160 million higher, and the Corporations Tax outlook is \$300 million higher, reflecting Ontario's economic performance improvement and the strength of year-to-date receipts.
  - The projection for Gasoline Tax revenue is \$25 million lower, reflecting slightly lower-than-expected sales, but is \$16 million above the 1995-96 level.
  - The Tobacco Tax outlook is \$20 million higher due to the increase in the federal tobacco tax in November 1996.
  - The Land Transfer tax is \$50 million higher because of the stronger-than-projected Ontario housing market in 1996.
  - The \$349 million decrease in Canada Health and Social Transfer payments reflects the upward revision in Personal Income Tax and federal data revisions related to corporate taxable income.
  - Existing Canada-Ontario Infrastructure Works reimbursements are down \$50 million as a result of faster-than-anticipated project completions in 1995-96, which increased revenue in 1995-96 which in turn is offset by lower 1996-97 revenue.
  - A \$100 million increase in reimbursements to reflect the federal government's share of the provision for a proposed extension to the Canada-Ontario Infrastructure Works program.
  - Other federal payments are up \$4 million as a result of increased reimbursement under the Strategic Transportation Improvement Program due to accelerated construction on Highway 416.
  - Ontario Lottery Corporation income is reduced by \$35 million. However, total Ontario Lottery Corporation revenue is projected to be \$25 million higher than in 1995-96.

Note: For details of changes prior to this quarter, see First and Second Quarter Ontario Finances.

# ONTARIO FINANCES

## DETAILS OF IN-YEAR CHANGES

---

### OPERATING EXPENSE CHANGES SINCE SECOND QUARTER

- Operating expense at \$51,704 million is up \$218 million from the Budget Plan. Major changes resulting in a net increase in operating expense of \$185 million this quarter include:
  - Ministry of Agriculture, Food & Rural Affairs: An additional \$3 million, mainly as a result of an increase in the liability for the Net Income Stabilization Program this fiscal year.
  - Ministry of the Attorney General: An \$11 million increase in Legal Aid Certificate expenses due to additional information from the audit of the Ontario Legal Aid Plan for the 1995-96 Public Accounts; an expenditure increase of \$2 million for victims of abuse in provincial institutions; \$1 million for additional Crown Attorneys to support a coordinated provincial enforcement program.
  - Ministry of Education and Training: An additional \$100 million for the Teachers' Pension Plan due to a recent arbitration award, fully offset from the Restructuring Fund; and an additional \$2 million for a pay equity grant for Ryerson Polytechnic University, fully offset from the Contingency Fund.
  - Ministry of Finance: A net expenditure increase of \$4 million primarily for implementation of Province-Wide Value-Based Reassessment.
  - Restructuring Fund: Increased by \$900 million to \$1.8 billion. (see page 11)
  - Management Board Secretariat: An additional \$5 million primarily to out-source the collection of overdue accounts receivable.
  - Ministry of the Solicitor General and Correctional Services: An additional \$1 million to expand the OPP Illegal Gaming Unit and enhance the capacity of the Centre of Forensic Sciences to support a coordinated provincial enforcement program.
  - Ministry of Transportation: A \$53 million accrual adjustment in municipal transit transfer payments due to revised estimates of outstanding liabilities.
  - Public Debt Interest: \$170 million savings due to lower interest rates than forecast in the Budget, reflecting the government's cautious approach in its interest rate forecasts, and to an increase in the level of lower rate floating rate debt.

Note: For details of changes prior to this quarter, see First and Second Quarter Ontario Finances.



# ONTARIO FINANCES

## DETAILS OF IN-YEAR CHANGES

---

### CAPITAL EXPENSE CHANGES SINCE SECOND QUARTER

- Capital expense at \$3,148 million is up \$444 million from the Budget Plan and up \$459 million from second quarter results. Major changes this quarter include:
  - Ministry of Finance: An increase of \$250 million for the Municipal Capital and Operating Restructuring Fund pending allocation to appropriate ministries under this Fund for 1996-97, fully offset from the Restructuring Fund; and a provision of \$200 million for the proposed extension to the Canada-Ontario Infrastructure Works program, fully offset from the Restructuring Fund.
  - Ministry of Transportation: \$60 million to upgrade highways being transferred to municipalities and \$7 million to accelerate construction of Highway 416 as announced in the Budget, both fully offset from the Restructuring Fund; an additional \$44 million due to a revised estimate of outstanding liabilities for the Transition Fund (Municipal Roads) Program; and \$6 million savings from the Alternative Services Delivery Strategy for engineering and construction administration for provincial highways.
  - Accrual Adjustments Related to 1995-96 Public Accounts: Revised accruals totalling \$97 million due to the faster-than-expected pace of construction for Canada-Ontario Infrastructure Works projects in 1995-96 which has reduced the Province's outstanding liability. Affected ministries include Education and Training (\$41 million), Municipal Affairs and Housing (\$40 million), and Northern Development and Mines (\$16 million).

Note: For details of changes prior to this quarter, see First and Second Quarter Ontario Finances.



# ONTARIO FINANCES

## ECONOMIC PERFORMANCE

---

### **ONTARIO ECONOMIC GROWTH ACCELERATES IN THE JULY-SEPTEMBER PERIOD**

- In the third quarter of calendar year 1996, Ontario real GDP rose at an annualized rate of 3.8%, ahead of the national growth rate of 3.3%. Real growth was led by a strong rise in business investment, notably in machinery and equipment, and a continuing strong housing sector.

### **ONTARIO EMPLOYMENT GROWTH CONTINUES IN 1996**

- For the year 1996 as a whole, Ontario employment growth averaged 80,000.

### **PRIVATE SECTOR SHOWS STRONG JOB GAINS IN 1996**

- Ontario's private sector created 90,000 net new jobs in 1996.

### **MANUFACTURING SHIPMENTS GROWING**

- Ontario manufacturing shipments rose 3.1% over the first eleven months of 1996, ahead of the Canada growth of 2.6%.

### **STRONG ONTARIO EXPORT GROWTH IN 1996**

- Over the first eleven months of 1996, Ontario's international merchandise exports rose 5.0% over the same period last year, ahead of the 4.2% gain recorded in Canada as a whole.

### **HOUSING MARKET CONTINUES TO STRENGTHEN**

- Ontario housing starts rose 20.2% in 1996, while home resales were up 31.3%. In Toronto, 1996 new home sales jumped 59.6%.

### **ONTARIO INFLATION REMAINS LOW IN 1996**

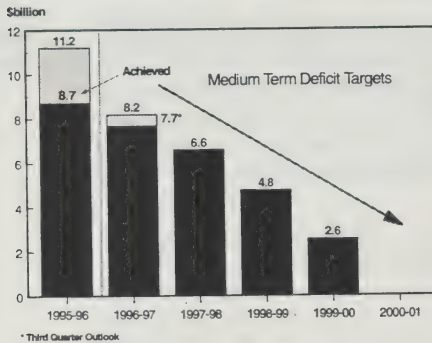
- The Ontario CPI inflation rate averaged 1.6% in 1996, compared to 2.4% in 1995.

Note: For details see Ontario Economic Accounts Third Quarter.

# ONTARIO FINANCES

## SELECTED FISCAL INDICATORS

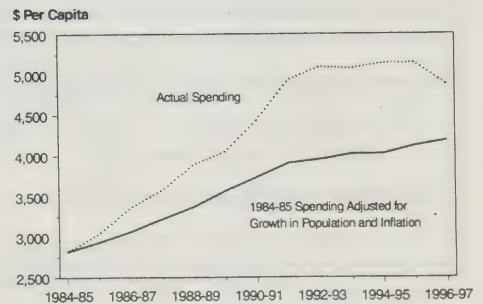
**Ontario's Balanced Budget Plan**



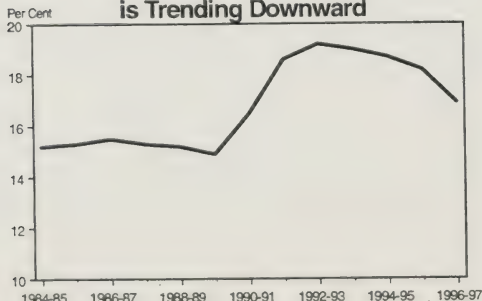
The government is on track to eliminate the deficit and balance the budget by the year 2000-01. The current outlook for the 1996-97 deficit is under \$7.7 billion, more than \$500 million below the Balanced Budget Plan deficit target.

Between 1984-85 and June 1995, when this government assumed office, spending had increased at a much faster pace than the growth in population and inflation. As a result of the government's focus on business planning, spending is returning to more manageable and affordable levels.

**Spending has Grown Faster Than the Growth in Population and Inflation**



**Spending to GDP Ratio is Trending Downward**



Note: Prior to 1993-94 data on a modified cash basis

As a share of Gross Domestic Product (GDP), Ontario's spending is steadily tracking downward since the early 1990s and currently stands at 16.9 per cent for 1996-97.

# **ONTARIO FINANCES**

## **FINANCIAL TABLES**

# REVENUE

(\$ Millions)	Actual 1995-96	1996-97		
		Budget Plan	Current Outlook	In-Year Change
<b>TAXATION REVENUE</b>				
Personal Income Tax	15,633	15,213	16,183	970
Retail Sales Tax	9,424	9,520	9,680	160
Corporations Tax	5,174	5,370	5,690	320
Employer Health Tax	2,695	2,665	2,665	--
Gasoline Tax	1,944	1,985	1,960	(25)
Fuel Tax	500	520	520	--
Tobacco Tax	337	330	350	20
Land Transfer Tax	342	365	435	70
Other Taxation	267	200	220	20
	<b>36,316</b>	<b>36,168</b>	<b>37,703</b>	<b>1,535</b>
<b>GOVERNMENT OF CANADA</b>				
Canada Health and Social Transfer	--	5,260	4,911	(349)
Established Programs Financing	3,820	--	--	--
Canada Assistance Plan	2,508	--	--	--
Fiscal Stabilization	367	--	--	--
National Training Act	55	26	26	--
Bilingualism Development	62	50	50	--
Young Offenders Act	61	59	59	--
Vocational Rehabilitation	63	46	46	--
Canada-Ontario Infrastructure Works	351	223	273	50
Other	358	366	370	4
	<b>7,645</b>	<b>6,030</b>	<b>5,735</b>	<b>(295)</b>
<b>INCOME FROM GOVERNMENT ENTERPRISES</b>				
Ontario Lottery Corporation	651	736	676	(60)
Liquor Control Board of Ontario	667	685	685	--
Ontario Casino Corporation	422	575	575	--
Ontario Housing Corporation	(255)	(232)	(232)	--
GO Transit	(208)	(157)	(157)	--
Other	(10)	75	75	--
	<b>1,267</b>	<b>1,682</b>	<b>1,622</b>	<b>(60)</b>
<b>OTHER REVENUE</b>				
Vehicle/Driver Registration Fees	736	790	790	--
Other Fees and Licences	631	680	680	--
Liquor Licence Board of Ontario Revenues	530	530	530	--
Royalties	263	260	260	--
Sales and Rentals	81	67	67	--
Fines and Penalties	143	100	100	--
Miscellaneous	747	353	343	(10)
	<b>3,131</b>	<b>2,780</b>	<b>2,770</b>	<b>(10)</b>
<b>TOTAL REVENUE</b>	<b>48,359</b>	<b>46,660</b>	<b>47,830</b>	<b>1,170</b>



# OPERATING EXPENSE

(\$ Millions)		1996-97		
MINISTRY	Actual 1995-96	Budget Plan	Current Outlook	In-Year Change
Agriculture, Food and Rural Affairs	420	425	428	3
Attorney General	1,085	637	654	17
Board of Internal Economy	206	120	120	--
Citizenship, Culture and Recreation	363	322	322	--
Community and Social Services	8,816	8,200	8,198	(2)
Consumer and Commercial Relations	140	110	132	22
Economic Development, Trade and Tourism	385	245	241	(4)
Education and Training	8,390	7,601	7,608	7
- Teachers' Pension Plan	812	902	1,002	100
Environment and Energy	239	172	172	--
Executive Offices	13	13	13	--
Finance	701	392	415	23
- Public Debt Interest	8,255	8,745	8,550	(195)
- Municipal Social Assistance Reserve	--	--	700	700
- Restructuring Fund -- Unallocated*	--	900	483	(417)
Health	17,607	17,718	17,718	--
Intergovernmental Affairs	5	5	5	--
Labour	135	115	113	(2)
Management Board Secretariat	534	432	437	5
- Public Service/OPSEU Pension Plan	685	284	284	--
- Contingency Fund	--	213	163	(50)
- Employee Severance	420	--	--	--
Municipal Affairs and Housing	1,802	1,888	1,888	--
Native Affairs Secretariat	16	13	13	--
Natural Resources	519	373	430	57
Northern Development & Mines	66	42	42	--
Office of Francophone Affairs	2	2	2	--
Office Responsible for Women's Issues	18	17	15	(2)
Solicitor General and Correctional Services	1,111	1,116	1,125	9
Transportation	867	684	631	(53)
Year-end Savings	--	(200)	(200)	--
<b>TOTAL OPERATING EXPENSE</b>	<b>53,612</b>	<b>51,486</b>	<b>51,704</b>	<b>218</b>

\* See Table on Page 11 for allocations from the Restructuring Fund

# CAPITAL EXPENSE

(\$ Millions)		1996-97		
		Budget Plan	Current Outlook	In-Year Change
MINISTRY	Actual 1995-96			
Agriculture, Food and Rural Affairs	5	--	--	--
Attorney General	--	46	46	--
Citizenship, Culture and Recreation	29	6	7	1
Community and Social Services	14	38	38	--
Economic Development, Trade and Tourism	113	41	21	(20)
Education and Training	559	222	181	(41)
Environment and Energy	238	196	196	--
Finance	1	--	--	--
- Municipal Capital and Operating Restructuring Fund		--	250	250
- Provision for Proposed Extension to Canada-Ontario Infrastructure Works		--	200	200
Health	168	167	167	--
Management Board Secretariat	272	146	146	--
- Contingency Fund	--	14	11	(3)
Municipal Affairs and Housing	531	332	292	(40)
Native Affairs Secretariat	9	15	15	--
Natural Resources	47	32	34	2
Northern Development & Mines	163	228	212	(16)
Solicitor General and Correctional Services	2	6	12	6
Transportation	1,322	1,215	1,320	105
<b>TOTAL CAPITAL EXPENSE</b>	<b>3,473</b>	<b>2,704</b>	<b>3,148</b>	<b>444</b>

# RESTRUCTURING FUND

---

(\$ Millions)	1996-97
1996-97 Budget	900
Increase This Quarter	900
<b>Total Restructuring Fund</b>	<b>1,800</b>
<b>Allocation:</b>	
Programs Expense	
- Municipal Social Assistance Reserve	700
- Estimated Teachers' Pension Plan Arbitration Award	100
Capital Expense	
- Municipal Capital and Operating Restructuring Fund	250
- Provision for Proposed Extension to Canada-Ontario Infrastructure Works	200
- Highway Transfers and Highway 416	67
Unallocated/Still to be Distributed	483
<b>Total</b>	<b>1,800</b>

# STATEMENT OF FINANCIAL TRANSACTIONS

(\$ Millions)	Actual 1995-96	1996-97		
		Budget Plan	Current Outlook	In-year Change
Deficit	8,726	8,180	7,672	(508)
Cash Timing Adjustments:				
Net change in Receivables and Payables	(1,915)	90	26	(64)
Net Borrowing on Behalf of Agencies	(129)	533	450	(83)
Maturing Debt	2,142	6,086	6,086	0
Total Financing Requirements	8,824	14,889	14,234	(655)
Financed by:				
(Increase)/ Decrease in Liquid Reserves	(3,325)	4,705	6,407	1,702
Other Sources	120	184	51	(133)
Debt Issues	12,029	10,000	7,776	(2,224)
<b>TOTAL FINANCING</b>	<b>8,824</b>	<b>14,889</b>	<b>14,234</b>	<b>(655)</b>

## 1996-97 FINANCING ACTIVITIES TO DATE

(\$ Millions)	Issued	Remaining	% Completed
	(as of December 31st)		
DEBT ISSUES*	5,953	1,823	77%

\* Includes planned short-term borrowing of \$706 million

- The Province's total financing requirements for the 1996-97 fiscal year are \$14,234 million, \$655 lower than the Budget Plan. These requirements are expected to be financed by public market borrowing of \$7,776 million and a reduction of \$6,407 million in liquid reserves. The remaining \$51 million is expected to come from other sources which are internally administered special purpose accounts.
- Maturing debt in the third quarter totalled \$1,512 million, for a total of \$5,539 million in the first nine months of this fiscal year.
- Long-term debt issues undertaken in this quarter totalled \$1,490 million: \$662 million from the Canadian domestic market; \$476 million from the EuroMedium Term Note market; and \$352 million from the Province's second Japanese (samurai) issue.
- Provincial purpose debt is forecast to be \$100.3 billion on March 31, 1997, up from \$98.6 billion at March 31, 1996.



# ONTARIO FINANCES

1997-98 FIRST QUARTER

QUARTERLY UPDATE - JUNE 30, 1997

Government  
Publications



Ministry of Finance

## Fiscal Summary (\$ Millions)

	Interim 1996-97*	1997-98		
		Budget Plan	Current Outlook	In-Year Change
Revenue	49,143	48,400	48,400	-
Expense				
Programs	43,012	41,780	41,807	27
Restructuring and Other Charges	2,306	610	610	--
Total Programs Expense	45,318	42,390	42,417	27
Capital	2,586	2,750	2,750	--
Public Debt Interest	8,709	9,190	9,158	(32)
Total Expense	56,613	54,330	54,325	(5)
Reserve	-	650	650	-
DEFICIT	7,470	6,580	6,575	(5)

\*As of 1997 Budget.

## HIGHLIGHTS

### 1997-98 IN-YEAR PERFORMANCE

#### DEFICIT OUTLOOK ON TRACK

- The 1997-98 deficit remains on track with the government's Balanced Budget Plan to eliminate the deficit by 2000-01. As of June 30, 1997 the deficit is projected at \$6,575 million, down \$5 million from the Budget Plan.

#### REVENUE AT \$48.4 BILLION

- The revenue outlook, at \$48,400 million, is unchanged from the Budget Plan.

#### EXPENSE AT \$54.3 BILLION

- Total expense, at \$54,325 million, is down \$5 million from the Budget Plan.

#### RESERVE AT \$650 MILLION

- The reserve, designed to protect the fiscal plan against unforeseen risks such as unexpected and adverse changes in the economic outlook and its impact on revenues and public debt interest costs, is maintained at \$650 million. If this reserve is not required, it will be applied directly toward deficit reduction.

For further information contact  
Communications Services (416) 325-0333  
Frost Building South, Queen's Park  
Toronto M7A 1Y7

This document is available on the Internet at:  
<http://www.gov.on.ca/fin/hmpage.html>

Ce rapport est disponible en français.  
Pour de plus amples renseignements,  
communiquiez avec les Services des Communications,  
édifice Frost sud, Queen's Park, Toronto M7A 1Y7  
téléphone : (416) 325-0333.



# ONTARIO FINANCES

## DETAILS OF IN-YEAR CHANGES

---

### FISCAL PERFORMANCE

#### REVENUE

- There is no change in the total revenue projection of \$48,400 million presented in the Budget Plan. Several factors support the no change outlook.
- Tax revenue receipts in the first quarter of the fiscal year are slightly above Budget projection but the variances are not sufficient to warrant a change in the outlook.

#### OPERATING EXPENSE

- Net operating expense at \$51,575 million is down \$5 million from the Budget Plan. Six ministries had increases in spending, offset by Public Debt Interest savings or the Contingency Fund as follows:
  - Ministry of the Attorney General: Net additional funding of \$5 million including an increase of \$5 million, fully offset from the Contingency Fund, for the Family Responsibility Office as announced in the 1997 Budget; additional funding of \$1 million to continue the Bail Verification and Supervision Program for the current year; and savings of \$1 million resulting from Small Claims Court reform.
  - Ministry of Citizenship, Culture and Recreation: An additional \$2 million, fully offset from the Contingency Fund, for the Public Archives of Ontario to address workload pressures, increased archival record storage costs and to provide new technology.
  - Ministry of Community and Social Services: An additional \$4 million to address increased workload associated with the Federal Child Support Guidelines.
  - Management Board Secretariat: An additional \$2 million, fully offset from the Contingency Fund, to fund the installation of the integration of the government's internal financial reporting systems.
  - Ministry of Municipal Affairs and Housing: An additional \$4 million to support the operations of the new City of Toronto Transition Team and the Financial Advisory Board, fully offset from the Contingency Fund.
  - Ministry of Natural Resources: An additional \$41 million, due to increased forest fire fighting of \$39 million, of which \$18 million was offset from the Contingency Fund; an extra \$1 million for the Ontario Ranger Program which will help students develop marketable skills for future employment; and an additional \$1 million for public access roads in Algonquin Park.

#### PUBLIC DEBT INTEREST

- Public debt interest costs at \$9,158 million are \$32 million below the Budget Plan due to realized savings to date.

#### CAPITAL EXPENSE

- Capital expense at \$2,750 million is unchanged from the Budget Plan.

# ONTARIO FINANCES

## ECONOMIC PERFORMANCE

---

### ONTARIO ECONOMIC GROWTH ACCELERATES IN THE FIRST QUARTER OF 1997

- In the first calendar quarter of 1997 (January-March period), Ontario real GDP rose 6.3% at annual rates, following growth of 2.5% in the fourth quarter of 1996.
- Growth was propelled by exports, and supported by continued domestic spending on personal consumption, housing and business investment.

### ONTARIO EMPLOYMENT GROWTH CONTINUES IN 1997

- In June, Ontario gained 17,500 jobs. Over the last four months, 118,000 jobs have been created in Ontario.
- The unemployment rate in Ontario was 8.5% in June.

### PRIVATE SECTOR SHOWS STRONG JOB GAINS IN 1997

- Over the first six months of 1997, private sector employment has increased 124,000.
- Public sector employment declined 33,000 over the first half of 1997.

### CONSUMER CONFIDENCE UP SHARPLY IN THE APRIL-JUNE PERIOD

- Consumer confidence in Ontario rose sharply by 10.6% in the April-June period, up for the sixth straight quarter.

### HOUSING MARKET REMAINS VIBRANT

- Over the first half of 1997 period, all-area housing starts rose 36.8% in Ontario from a year ago. Ontario home resales rose 13.7% over the first five months of 1997.

### MANUFACTURING SHIPMENTS GROWING

- Over the first five months of 1997, Ontario manufacturing shipments rose 6.6% from a year ago.
- In the transportation equipment sector, shipments rose 10.5% so far this year.

### ONTARIO EXPORTS RISING IN 1997

- Over the first five months of 1997, Ontario international merchandise exports increased 6.6% from a year ago.

### ONTARIO INFLATION REMAINS LOW IN 1997

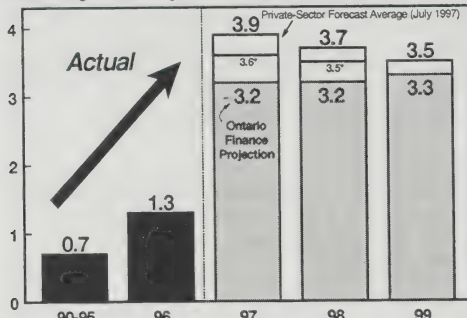
- Ontario's inflation rate as measured by the CPI was 2.1% in June (year-over-year).

# ONTARIO FINANCES

## SELECTED FISCAL AND ECONOMIC INDICATORS

### Stronger Growth Projected

Real GDP growth, average annual per cent



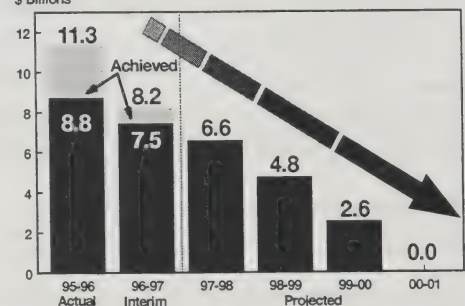
Sources: Statistics Canada and Ontario Ministry of Finance  
\*May 1997 forecast average

Following a half-decade of limited and sporadic growth, domestic spending has entered a period of strong and sustained growth. This growth reflects the impact of personal income tax cuts, lower interest rates and growing consumer and business confidence. Private-sector forecasters expect Ontario to grow more rapidly than the rest of Canada and all of the G-7 countries over the next three years. The private-sector forecast average for real GDP growth has increased to 3.9% from the 3.6% forecast in May.

In the fall of 1995 the Government set out its Balanced Budget Plan to eliminate the deficit by the year 2000-01. Ontario remains on track to meet the declining annual deficit targets outlined in the Plan. 1996-97 was the second year in a row that the deficit target has been over-achieved. The 1995-96 Budget deficit target was over-achieved by \$508 million. The interim 1996-97 deficit is \$710 million below the target of \$8.2 billion.

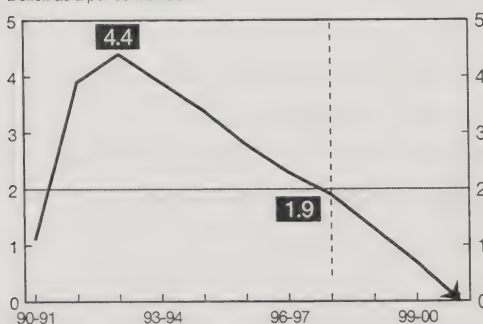
### Ontario's Balanced Budget Plan on Track

Medium Term Deficit Targets



### Deficit Below 2% of GDP in 1997-98

Deficit as a per cent of GDP



A further indicator of Ontario's improved fiscal health is the falling ratio of the deficit as a share of the economy. In 1997-98, Ontario's deficit will decline to below two per cent of Gross Domestic Product (GDP). In the early 1990's Ontario's budgetary deficit rose significantly, reaching a peak of 4.4 per cent of provincial GDP in 1992-93. Under the Balanced Budget Plan, the deficit will be reduced to 1.9 per cent of GDP this year and will continue to fall in future years.



# ONTARIO FINANCES

## RECENT ECONOMIC DEVELOPMENTS

### KEY ECONOMIC INDICATORS

(% Change from previous Period), unless indicated otherwise

		Annual	Quarterly					
		1996	95:4	96:1	96:2	96:3	96:4	97:1
Output (Seasonally Adjusted Annual Rate)								
Real GDP	Ontario	1.3	5.3	(3.9)	0.3	2.3	2.5	6.3
	Canada	1.5	0.9	1.4	1.4	3.3	2.9	3.4
Nominal GDP	Ontario	2.8	5.9	(2.2)	1.0	5.0	5.7	8.0
	Canada	2.8	1.2	1.7	3.3	5.6	5.5	5.0

		Annual	Monthly 1997					
		1996	Jan	Feb	Mar	Apr	May	Jun
Other Indicators (Seasonally Adjusted)								
Labour Markets								
Labour Force (Change in 000s)	Ontario	107	(12)	(20)	33	27	17	15
Employment (Change in 000s)	Ontario	80	(7)	(20)	46	14	41	18
Private Sector	Ontario	90	(12)	(29)	76	30	43	17
Public Sector	Ontario	(10)	5	9	(30)	(16)	(2)	1
Unemployment Rate (%)	Ontario	9.1	9.0	9.1	8.8	9.0	8.5	8.5
Household Sector								
Retail Sales	Ontario	0.3	(2.4)	2.4	1.4	(0.3)	0.5	N/A
Urban Housing Starts (000s)	Ontario	39.5	47.4	52.9	51.3	53.9	50.9	43.4
New Home Sales*	Toronto	59.6	116.9	44.7	67.2	37.7	57.4	34.2
MLS Home Sales*	Ontario	31.3	57.0	17.3	(0.4)	16.4	3.0	N/A
Manufacturing Shipments								
Transportation Equipment	Ontario	3.2	3.3	0.5	(0.3)	1.1	0.4	N/A
Consumer Price Index: All Items								
	Ontario	1.6	2.5	2.4	2.3	2.1	1.8	2.1

Sources: Statistics Canada, Ontario Ministry of Finance, Canada Mortgage and Housing Corporation, Toronto Real Estate Board, Canadian Real Estate Association, Ward's Automotive.

\* % change from a year earlier



**ONTARIO FINANCES**  
**FINANCIAL TABLES**

# REVENUE

Revenue  
(\$ Millions)

	Interim 1996-97	1997-98		In-Year Change
		Budget Plan	Current Outlook	
<b>Taxation Revenue</b>				
Personal Income Tax	16,348	14,490	14,490	--
Retail Sales Tax	9,770	10,390	10,390	--
Corporations Tax	5,831	6,450	6,450	--
Employer Health Tax	2,705	2,640	2,640	--
Gasoline Tax	1,945	1,970	1,970	--
Fuel Tax	521	545	545	--
Tobacco Tax	380	415	415	--
Land Transfer Tax	415	450	450	--
Mining Profits Tax	54	60	60	--
Race Tracks Tax	49	10	10	--
Preferred Share Dividends Tax	73	60	60	--
Other Taxation	45	25	25	--
	<b>38,136</b>	<b>37,505</b>	<b>37,505</b>	<b>--</b>
<b>Government of Canada</b>				
Canada Health and Social Transfer	4,814	4,205	4,205	--
National Training Act	32	--	--	--
Bilingualism Development	42	48	48	--
Young Offenders	61	59	59	--
Vocational Rehabilitation	64	64	64	--
Canada-Ontario Infrastructure Works	138	201	201	--
Social Housing	442	476	476	--
Other	303	242	242	--
	<b>5,896</b>	<b>5,295</b>	<b>5,295</b>	<b>--</b>
<b>Income from Government Enterprises</b>				
Ontario Lottery Corporation	683	785	785	--
Liquor Control Board of Ontario	714	730	730	--
Ontario Casino Corporation	516	740	740	--
Other	25	65	65	--
	<b>1,938</b>	<b>2,320</b>	<b>2,320</b>	<b>--</b>
<b>Other Revenue</b>				
Vehicle/Driver Registration Fees	760	805	805	--
Other Fees and Licences	659	625	625	--
Liquor Licence Board of Ontario Revenues	521	525	525	--
Royalties	266	225	225	--
Sales and Rentals	391	445	445	--
Fines and Penalties	140	90	90	--
Miscellaneous	436	565	565	--
	<b>3,173</b>	<b>3,280</b>	<b>3,280</b>	<b>--</b>
<b>TOTAL REVENUE</b>	<b>49,143</b>	<b>48,400</b>	<b>48,400</b>	<b>--</b>



# OPERATING EXPENSE

## Operating Expense (\$ Millions)

Ministry	Interim 1996-97	1997-98		
		Budget Plan	Current Outlook	In-Year Change
Agriculture, Food and Rural Affairs	400	405	405	—
Crop Insurance Claims	74	45	45	—
Attorney General	604	654	659	5
Board of Internal Economy	128	119	119	—
Citizenship, Culture and Recreation	312	280	282	2
Community and Social Services	8,025	7,848	7,852	4
Consumer and Commercial Relations	127	94	94	—
Economic Development, Trade and Tourism	219	201	201	—
Education and Training	7,859	7,735	7,735	—
Teachers' Pension Plan	1,174	745	745	—
Environment and Energy	160	150	150	—
Executive Offices	13	13	13	—
Finance - Own Account	492	445	445	—
Public Debt Interest	8,709	9,190	9,158	(32)
Municipal Capital and Operating Restructuring Fund	—	137	137	—
Community Reinvestment Fund	—	142	142	—
Health	17,844	17,845	17,845	—
Health Care Restructuring	850	450	450	—
Intergovernmental Affairs	4	4	4	—
Labour	108	106	106	—
Management Board Secretariat	732	353	355	2
Public Service/OPSEU Pension Plan	145	145	145	—
Contingency Fund	—	380	349	(31)
Employee Severance	435	—	—	—
Municipal Affairs and Housing	2,457	2,020	2,024	4
Municipal Capital and Operating Restructuring Fund	150	23	23	—
Native Affairs Secretariat	18	9	9	—
Natural Resources	426	369	410	41
Northern Development and Mines	40	41	41	—
Office of Francophone Affairs	2	2	2	—
Office Responsible for Women's Issues	14	20	20	—
Solicitor General and Correctional Services	1,156	1,095	1,095	—
Transportation	1,150	715	715	—
Municipal Capital and Operating Restructuring Fund	200	—	—	—
Year-End Savings	—	(200)	(200)	—
<b>TOTAL OPERATING EXPENSE</b>	<b>54,027</b>	<b>51,580</b>	<b>51,575</b>	<b>(5)</b>

# CAPITAL EXPENSE

Capital Expense  
(\$ Millions)

Ministry	Interim 1996-97	1997-98		
		Budget Plan	Current Outlook	In-Year Change
Attorney General	28	53	53	--
Citizenship, Culture and Recreation	9	4	4	--
Community and Social Services	28	20	20	--
Economic Development, Trade and Tourism	9	--	--	--
Education and Training	195	450	450	--
Environment and Energy	203	154	154	--
Municipal Capital and Operating Restructuring Fund	--	40	40	--
Health	182	242	242	--
Management Board Secretariat	119	46	46	--
Municipal Affairs and Housing	308	308	308	--
Native Affairs Secretariat	14	12	12	--
Natural Resources	33	25	25	--
Northern Development and Mines	181	193	193	--
Solicitor General and Correctional Services	6	13	13	--
Transportation	1,271	1,190	1,190	--
<b>TOTAL CAPITAL EXPENSE</b>	<b>2,586</b>	<b>2,750</b>	<b>2,750</b>	<b>--</b>

# STATEMENT OF FINANCIAL TRANSACTIONS

(\$ Millions)	1997-98			
	Interim 1996-97	Budget Plan	Current Outlook	In-year Change
Deficit	7,470	6,580	6,575	(5)
Cash Timing Adjustments	(1,901)	2,605	2,605	—
Net Cash Requirements	5,569	9,185	9,180	(5)
Maturing Debt	6,384	5,424	5,424	—
Borrowing on Behalf of Agencies	325	575	575	—
Total Financing Requirements	12,278	15,184	15,179	(5)
Financed by:				
Decrease in Liquid Reserves	5,669	3,000	3,000	—
Other Sources	159	94	94	—
Increase in Short-Term Borrowing	—	1,500	1,500	—
Long-Term Borrowing	6,450	10,590	10,585	(5)
<b>TOTAL FINANCING</b>	<b>12,278</b>	<b>15,184</b>	<b>15,179</b>	<b>(5)</b>

## 1997-98 FINANCING ACTIVITIES TO DATE

(\$ Millions)	Issued (as of June 30th)	Remaining	% Completed
DEBT ISSUES	4,409	6,176	41.7%

- Long-term debt issues undertaken in this quarter totalled \$4,409 million as follows:

	(\$ Millions)
Canadian Domestic Market	1,807
Ontario Savings Bonds	1,537
French Franc Eurobond	715
Euro Medium Term Note	230
Japanese Yen Loan	120
	<b>4,409</b>

- The Province's total direct debt is forecast to be \$108.5 billion at March 31, 1998 up from \$101.6 billion at March 31, 1997.





## Fiscal Summary (\$ Millions)

	Actual 1996-97	Budget Plan	1997-98	
			Current Outlook*	In-Year Change
<b>Revenue</b>	49,450	48,400	50,300	1,900
<b>Expense</b>				
Programs	42,581	41,780	42,517	737
Restructuring and Other Charges	2,430	610	1,510	900
<b>Total Programs Expense</b>	45,011	42,390	44,027	1,637
Capital	2,737	2,750	2,779	29
Public Debt Interest	8,607	9,190	9,086	(104)
<b>Total Expense</b>	56,355	54,330	55,892	1,562
Reserve	—	650	—	(650)
<b>DEFICIT</b>	<b>6,905</b>	<b>6,580</b>	<b>5,592</b>	<b>(988)</b>

\* Incorporates measures announced in 1997 Ontario Economic Outlook and Fiscal Review

## HIGHLIGHTS

### 1996-97 PUBLIC ACCOUNTS

- The Public Accounts, released September 9th, reported the 1996-97 audited actual deficit at \$6,905 million, down \$565 million from the \$7,470 million interim deficit forecast in the 1997 Budget. This improvement was due to \$307 million in higher revenues than anticipated in the Budget and lower expenses of \$258 million.

### 1997-98 IN-YEAR PERFORMANCE

#### DEFICIT OUTLOOK AT \$5.6 BILLION

- The 1997-98 deficit at \$5,592 million is down \$988 million from the Budget Plan and \$983 million lower than the level reported in the First Quarter Ontario Finances.

#### REVENUE AT \$50.3 BILLION

- The revenue outlook for 1997-98 is \$50,300 million, \$1,900 million above the outlook in the 1997 Budget and the First Quarter Ontario Finances, mainly as a result of an \$1,140 million increase in Personal Income Tax revenue. As part of local services realignment, responsibility for a number of programs will be transferred to municipalities January 1, 1998. An additional \$564 million has been included for reimbursements of expenditures from municipalities for these programs, which as a transition measure, will be delivered by the Province on their behalf, pending program transfer. Transitional measures will also increase revenues by \$16 million while the Province continues to administer the Provincial Offences Act.

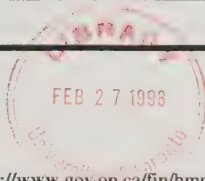
#### EXPENSE AT \$55.9 BILLION

- Total expense, at \$55,892 million, is up \$1,562 million from the Budget Plan and up \$1,567 million from the First Quarter Ontario Finances. This is mainly due to an increased provision of \$900 million for Restructuring and Other Charges, and an additional expense of \$577 million as a result of the Province continuing to deliver a number of programs on behalf of municipalities, as a transition measure related to local services realignment.

#### RESERVE ELIMINATED

- The \$650 million reserve included in the 1997 Budget to protect the fiscal plan against unforeseen risks, such as unexpected and adverse changes in the economic outlook, will not be needed. With the strong improvements in Ontario's economic performance since the 1997 Budget, the reserve has been applied to deficit reduction.

For further information contact  
Communications Services (416) 325-0333  
Frost Building South, Queen's Park  
Toronto M7A 1Y7



Ce rapport est disponible en français.  
Pour de plus amples renseignements,  
communiquez avec les Services des Communications,  
édifice Frost sud, Queen's Park, Toronto M7A 1Y7  
téléphone : (416) 325-0333.

# ONTARIO FINANCES

## DETAILS OF IN-YEAR CHANGES

---

### FISCAL PERFORMANCE

#### REVENUE

- The current revenue outlook of \$50,300 million is \$1,900 million above the 1997-98 Budget Plan and the outlook in the First Quarter Ontario Finances. Revenue changes this quarter are:
  - The taxation revenue outlook is increased by \$1,500 million. This gain reflects the strength of the economy in 1997 and the cautious nature of the Budget projections. Personal Income Tax (PIT) revenue is \$1,140 million higher due to an increase in the estimate of 1996 PIT assessments, based on interim PIT return processing information, and stronger 1997 economic growth. The Retail Sales Tax revenue projection is \$200 million higher, reflecting the robust growth of domestic demand. As a result of the strength of 1997 corporate profits, the Corporations Tax outlook has been increased by \$100 million. The Land Transfer Tax outlook is raised by \$60 million due to the growth of the resale housing market.
  - Revenue from the Government of Canada is \$235 million below the Budget Plan. The Canada Health and Social Transfer (CHST) payment is down \$245 million as a result of the upward revision in Personal Income Tax and federal data revisions to Ontario's total CHST entitlement and corporate taxable income. Other federal transfers are increased by \$10 million for Special Opportunity Grants for students with disabilities.
  - Other Revenue is \$635 million higher this quarter. Revenues are higher by \$580 million as a result of transition measures related to local services realignment. Reimbursements of expenditure from municipalities accounts for \$564 million of this revenue increase. Transition measures related to local services realignment have also increased Fines and Penalties by \$16 million while the Province continues to administer the Provincial Offences Act. Revenue from Vehicle/Driver Registration Fees is increased by \$55 million with an offsetting expense to reflect the fees charged by private licence issuers. This conforms with the Public Sector Accounting and Auditing Board's requirement to report revenues and expenses on a gross basis.

#### OPERATING EXPENSE

- Net operating expense at \$53,113 million is up \$1,533 million from the Budget Plan. Major changes resulting in a net increase in operating expense of \$1,538 million this quarter include:
  - Ministry of the Attorney General: Net savings of \$14 million primarily due to savings of \$39 million in Legal Aid due to an increase in the 1996-97 liability which resulted in a reduction of expenses this year; an extra \$5 million to fund the Kaufman Commission and Morin compensation partially offset by \$1 million from the Contingency Fund; \$8 million additional funding to handle increased workload as a result of the new Federal Child Support guidelines; and local services realignment adjustments detailed on page 4.
  - Board of Internal Economy: Savings of \$5 million due to a reduction in estimated funding requirements.
  - Ministry of Citizenship, Culture and Recreation: An additional \$1 million, fully offset from the Contingency Fund, for the final payment for the 1997 Special Olympic World Winter Games.
  - Ministry of Community and Social Services: A net increase of \$211 million, including a \$17 million increase due to a revised estimate of 1996-97 year-end liability in the General Welfare Assistance program; savings of \$5 million in Child Care Services; and local services realignment adjustments detailed on page 4.
  - Ministry of Consumer and Commercial Relations: An additional \$13 million for operating expenses and one-time accommodation costs for the Alcohol and Gaming Commission, and an additional \$1 million, fully offset from the Contingency Fund, for Ontario Business Connects to fund the project team, information technology and consulting services.

# ONTARIO FINANCES

## DETAILS OF IN-YEAR CHANGES

### FISCAL PERFORMANCE Cont'd

- Ministry of Economic Development, Trade and Tourism: A net additional expense of \$6 million due to the consolidation of Ontario Place as a service organization and exclusion of the St. Lawrence Parks Commission from consolidation.
- Ministry of Education and Training: A net decrease of \$159 million as a result of savings of \$190 million in the Teachers' Pension Plan based on more current information reflecting higher investment earnings; increased spending of \$14 million for Education Programs; and \$17 million for Special Opportunity Grants for students with disabilities.
- Ministry of Finance: A net increase of \$896 million as a result of a \$785 million increase in the unallocated provision for Restructuring and Other Charges; reallocation of the \$137 million operating portion of the Municipal Capital and Operating Restructuring Fund to support the creation of a \$77 million Special Circumstances Fund and \$75 million for the first year of the Special Transition Fund, included as part of the \$1,510 million provision for Restructuring and Other Charges; an increase of \$75 million for the Community Reinvestment Fund; and local services realignment adjustments detailed on page 4.
- Ministry of Health: Additional costs of \$106 million for local services realignment adjustments detailed on page 4.
- Management Board Secretariat: Additional expense of \$36 million for the Public Service and OPSEU Pension Plans based on more current financial information; an additional \$6 million for the Realty Services Program, fully offset from the Contingency Fund, for the Accommodation Program Review Project, lease buy-out and the Regional Delivery Restructuring pilot project; and an additional \$140 million in the Contingency Fund for one-time retroactive pay equity costs for agencies using proxy comparisons.
- Ministry of Municipal Affairs and Housing: Additional net expense of \$266 million, including an additional \$50 million for the new Municipal Restructuring Fund included as part of the \$1,510 million provision for Restructuring and Other Charges; and other local services realignment adjustments detailed on page 4.
- Native Affairs Secretariat: An additional \$1 million, fully offset from the Contingency Fund, to meet costs associated with the Algonquin Land Claims settlement.
- Ministry of Natural Resources: An additional \$5 million, fully offset from the Contingency Fund, to fund the consolidation of the Peterborough office.
- Ministry of Northern Development and Mines: An additional \$1 million for office closures and consolidations, fully offset from the Contingency Fund.
- Ministry of the Solicitor General and Correctional Services: Net additional expense of \$3 million, primarily for traffic management for Casino Rama.
- Ministry of Transportation: Additional net expense of \$118 million, including an increase of \$55 million to reflect accounting changes for the fees paid to private licence operators; an additional \$50 million for the Highway Transfers included as part of the \$1,510 million provision for Restructuring and Other Charges; and local services realignment adjustments detailed on page 4.

### PUBLIC DEBT INTEREST

- Public debt interest costs at \$9,086 million are \$104 million below the Budget Plan and \$72 million below the first quarter projection. The additional savings realized to date are the result of interest rates remaining below the prudent Budget forecast assumptions.



# ONTARIO FINANCES

## DETAILS OF IN-YEAR CHANGES

### FISCAL PERFORMANCE Cont'd

#### CAPITAL EXPENSE

- Capital expense at \$2,779 million is up \$29 million from the Budget Plan and from the first quarter results. Changes this quarter include:
  - Ministry of Community and Social Services: An additional \$11 million to fund the purchase and renovation of community-based residences to facilitate the transfer of developmental service clients out of large institutional settings.
  - Ministry of Municipal Affairs and Housing: Additional costs of \$3 million for local services realignment adjustments detailed below.
  - Ministry of Transportation: Additional costs of \$15 million for local services realignment adjustments detailed below.

#### LOCAL SERVICES REALIGNMENT: SUMMARY

- Responsibility for a number of programs will be transferred to municipalities January 1, 1998. As a transition measure, and to ensure continuity of service, the Province will continue to deliver these programs on behalf of municipalities, pending program transfer. Municipalities will reimburse the Province for these expenditures on their behalf. Programs involved are:

	<u>\$ Million</u>	
<b>Attorney General - Provincial Offences Act</b>	8	
<b>Community and Social Services - Social Assistance, Employment Program and Children's Services</b>	199	
<b>Finance - Property Assessment</b>	21	
<b>Health - Emergency and Public Health Services*</b>	106	
<b>Municipal Affairs and Housing:</b>		
Non-profit Housing and Ontario Housing Corporation operating subsidies and payments	213	
Ontario Housing Corporation capital grant	3	
<b>Transportation:</b>		
Ferry services and GO Transit	12	
GO Transit Capital	15	
<b>Total Increase in Provincial Expense</b>		<b>577</b>
Reimbursement of Expenditures from Municipalities	(564)	
Continued Administration of Provincial Offences Act	(16)	
<b>Total Increase in Provincial Revenue</b>		<b>(580)</b>
<b>Net Impact on Deficit</b>		<b>(3)</b>

\* Of this amount, \$56 million is a contingency provision for Public Health, which will be funded by municipalities as of January 1, 1998.



# ONTARIO FINANCES

## ECONOMIC PERFORMANCE

---

### **ONTARIO ECONOMY RECORDS STRONG GROWTH IN THE SECOND QUARTER OF 1997**

- In the second calendar quarter of 1997 (April - June period), Ontario real GDP rose 7.2% at annual rates, similar to the growth of 6.8% in the first quarter of 1997.
- Growth was propelled by increased domestic spending on personal consumption, housing and business investment.

### **PRIVATE SECTOR SHOWS STRONG JOB GAINS IN 1997**

- Over the last nine months, private sector employment has increased by 204,000.
- The unemployment rate in Ontario was 8.4% in November.

### **CONSUMER CONFIDENCE AT A NINE YEAR HIGH IN THE JULY - SEPTEMBER PERIOD**

- Consumer confidence for Ontario rose for the seventh straight quarter and reached a nine year high in the third quarter of 1997.

### **HOUSING MARKET REMAINS VIBRANT**

- Over the first eleven months of 1997, housing starts rose 27.0% in Ontario from a year ago. Ontario home resales rose 7.7% over the first ten months.

### **MANUFACTURING SHIPMENTS GROWING**

- Over the first nine months of 1997, Ontario manufacturing shipments rose 6.9% from a year ago.
- In the transportation equipment sector, shipments rose 10.1% so far this year.

### **ONTARIO EXPORTS RISING**

- Over the first nine months of 1997, Ontario international merchandise exports increased 6.5% from a year ago.

### **ONTARIO INFLATION REMAINS LOW**

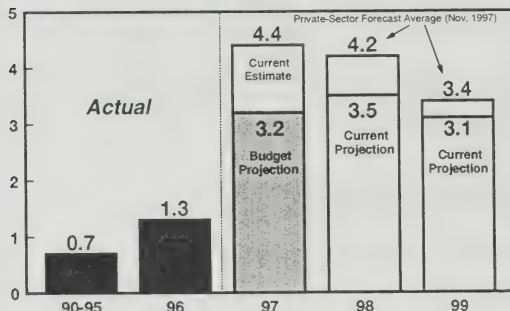
- Ontario's inflation rate as measured by the CPI was 1.8% in October (year-over-year).

# ONTARIO FINANCES

## SELECTED FISCAL AND ECONOMIC INDICATORS

### Strong Growth Projected

Real GDP growth, average annual per cent



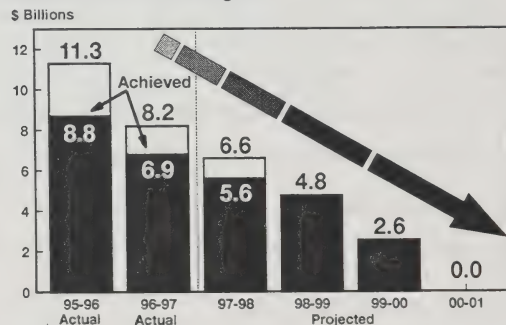
Sources: Statistics Canada and Ontario Ministry of Finance

Following a half-decade of limited and sporadic growth, the Ontario economy has entered a period of strong, sustainable growth. Real GDP rose by an estimated 4.4% in 1997, compared to a cautious Budget projection of 3.2%. Strong, broadly-based growth is expected to continue, as the long-term effects of reduced taxes, low interest rates and a highly competitive economy promote confidence and investment. Private-sector forecasters expect Ontario to grow faster than the rest of Canada and all of the G-7 countries over the next few years.

In the fall of 1995 the Government set out its Balanced Budget Plan to eliminate the deficit by the year 2000-01. Ontario remains on track to meet the declining annual deficit targets outlined in the Plan. With the recent release of the Public Accounts, 1996-97 was the second year in a row that the deficit target has been over-achieved. The 1995-96 Budget deficit target was over-achieved by \$508 million. The 1996-97 audited actual deficit was \$1,275 million below the target of \$8.2 billion. The projected 1997-98 deficit is \$5.6 billion, down \$988 million from the \$6.6 billion target set out in the Budget.

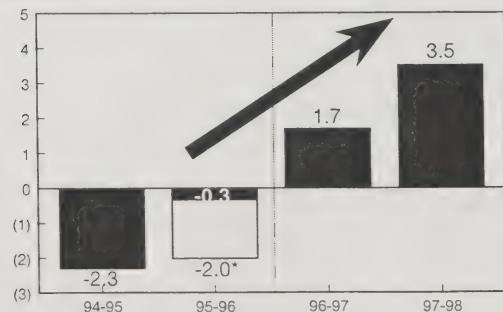
### Ontario's Balanced Budget Plan on Track

Medium Term Deficit Targets



### Operating Balance Now in Surplus

\$ Billions



\* Potential operating deficit of \$2.0 billion when the government assumed office in June, 1995

The operating balance is an indicator used by the federal government to show the amount by which total revenues exceed spending on all programs. It is calculated as the difference between government revenue and total spending on all programs, not including public debt interest. Ontario has gone from an operating deficit in 1994-95 of \$2.3 billion to an operating surplus in 1996-97 of \$1.7 billion and \$3.5 billion this year.

# ONTARIO FINANCES

## RECENT ECONOMIC DEVELOPMENTS

### KEY ECONOMIC INDICATORS

(% Change from previous Period), unless indicated otherwise

		Annual	Quarterly					
		1996	96:1	96:2	96:3	96:4	97:1	97:2
<b>Output</b> (Seasonally Adjusted Annual Rate)								
Real GDP	Ontario	1.3	(3.9)	0.3	2.3	2.5	6.8	7.2
Nominal GDP	Ontario	2.8	(2.2)	1.0	5.0	5.7	8.0	5.8

		Annual	Monthly 1997					
		1996	Jun	Jul	Aug	Sept	Oct	Nov
<b>Other Indicators (Seasonally Adjusted)</b>								
<b>Labour Markets</b>								
Labour Force (Change in 000s)	Ontario	107	15	(10)	34	1	5	11
Employment (Change in 000s)	Ontario	80	18	5	33	4	(15)	13
Private Sector	Ontario	90	17	10	25	15	(5)	(7)
Public Sector	Ontario	(10)	1	(5)	8	(11)	(10)	20
Unemployment Rate (%)	Ontario	9.1	8.5	8.2	8.2	8.1	8.5	8.4
<b>Household Sector</b>								
Retail Sales	Ontario	0.3	0.7	1.4	1.4	(0.7)	N/A	N/A
Urban Housing Starts (000s)	Ontario	39.5	43.4	48.7	55.2	49.5	53.4	48.2
New Home Sales*	Toronto	59.6	34.2	33.7	13.7	42.4	7.2	N/A
MLS Home Sales*	Ontario	31.3	6.0	7.4	0.7	2.4	(6.0)	N/A
<b>Manufacturing Shipments</b>								
Transportation Equipment	Ontario	2.5	0.2	6.3	(4.1)	(1.7)	N/A	N/A
Consumer Price Index: All Items	Ontario	5.1	0.5	9.6	(8.4)	(1.4)	N/A	N/A
	Ontario	1.6	2.1	2.1	2.2	2.0	1.8	N/A

Sources: Statistics Canada, Ontario Ministry of Finance, Canada Mortgage and Housing Corporation, Toronto Real Estate Board, Canadian Real Estate Association, Ward's Automotive.

\* % change from a year earlier





**ONTARIO FINANCES**  
**FINANCIAL TABLES**



# REVENUE

Revenue (\$ Millions)				
	Actual 1996-97	Budget Plan	1997-98 Current Outlook	In-Year Change
<b>Taxation Revenue</b>				
Personal Income Tax	16,357	14,490	15,630	1,140
Retail Sales Tax	9,964	10,390	10,590	200
Corporations Tax	5,852	6,450	6,550	100
Employer Health Tax	2,772	2,640	2,640	--
Gasoline Tax	1,951	1,970	1,970	--
Fuel Tax	540	545	545	--
Tobacco Tax	356	415	415	--
Land Transfer Tax	444	450	510	60
Mining Profits Tax	54	60	60	--
Race Tracks Tax	46	10	10	--
Preferred Share Dividends Tax	73	60	60	--
Other Taxation	57	25	25	--
	<b>38,466</b>	<b>37,505</b>	<b>39,005</b>	<b>1,500</b>
<b>Government of Canada</b>				
Canada Health and Social Transfer	4,814	4,205	3,960	(245)
National Training Act	37	--	--	--
Bilingualism Development	44	48	48	--
Young Offenders	59	59	59	--
Vocational Rehabilitation	65	64	64	--
Canada-Ontario Infrastructure Works	142	201	201	--
Social Housing	341	476	476	--
Other	276	242	252	10
	<b>5,778</b>	<b>5,295</b>	<b>5,060</b>	<b>(235)</b>
<b>Income from Government Enterprises</b>				
Ontario Lottery Corporation	654	785	785	--
Liquor Control Board of Ontario	701	730	730	--
Ontario Casino Corporation	594	740	740	--
Other	10	65	65	--
	<b>1,959</b>	<b>2,320</b>	<b>2,320</b>	<b>--</b>
<b>Other Revenue</b>				
Vehicle/Driver Registration Fees	816	805	860	55
Other Fees and Licences	624	625	625	--
Liquor Licence Board of Ontario Revenues	520	525	525	--
Royalties	264	225	225	--
Sales and Rentals	543	445	445	--
Fines and Penalties	157	90	106	16
Local Services Realignment - Reimbursement of Expenditure	-	-	564	564
Miscellaneous	323	565	565	--
	<b>3,247</b>	<b>3,280</b>	<b>3,915</b>	<b>635</b>
<b>TOTAL REVENUE</b>	<b>49,450</b>	<b>48,400</b>	<b>50,300</b>	<b>1,900</b>

# OPERATING EXPENSE

## Operating Expense (\$ Millions)

Ministry	Actual 1996-97	1997-98		
		Budget Plan	Current Outlook	In-Year Change
Agriculture, Food and Rural Affairs	412	405	405	--
Crop Insurance Claims	62	45	45	--
Attorney General	638	654	645	(9)
Board of Internal Economy	124	119	114	(5)
Citizenship, Culture and Recreation	302	280	283	3
Community and Social Services	7,965	7,848	8,063	215
Consumer and Commercial Relations	123	94	108	14
Economic Development, Trade and Tourism	245	201	207	6
Education and Training	8,075	7,735	7,766	31
Teachers' Pension Plan	683	745	555	(190)
Energy, Science and Technology*	11	11	11	--
Environment*	146	139	139	--
Executive Offices	13	13	13	--
Finance - Own Account	435	445	466	21
Public Debt Interest	8,607	9,190	9,086	(104)
Municipal Capital and Operating Restructuring Fund	--	137	--	(137)
Community Reinvestment Fund	--	142	217	75
Restructuring and Other Charges -- Unallocated	--	--	785	785
Special Transition Fund	--	--	75	75
Special Circumstances Fund	--	--	77	77
Health	17,760	17,845	17,951	106
Health Care Restructuring	970	450	450	--
Intergovernmental Affairs	4	4	4	--
Labour	103	106	106	--
Management Board Secretariat	712	353	361	8
Public Service/OPSEU Pension Plan	94	145	181	36
Contingency Fund	--	380	467	87
Employee Severance	438	--	--	--
Municipal Affairs and Housing	2,456	2,020	2,240	220
Municipal Capital and Operating Restructuring Fund	150	23	23	--
Municipal Restructuring Fund	--	--	50	50
Native Affairs Secretariat	17	9	10	1
Natural Resources	417	369	415	46
Northern Development and Mines	52	41	42	1
Office of Francophone Affairs	2	2	2	--
Office Responsible for Women's Issues	14	20	20	--
Solicitor General and Correctional Services	1,159	1,095	1,098	3
Transportation	879	715	783	68
Restructuring/Municipal Capital and Operating Restructuring Fund	550	--	50	50
Year-End Savings	--	(200)	(200)	--
<b>TOTAL OPERATING EXPENSE</b>	<b>53,618</b>	<b>51,580</b>	<b>53,113</b>	<b>1,533</b>

\* Interim allocation pending ministry restructuring which is currently underway



# CAPITAL EXPENSE

Capital Expense  
(\$ Millions)

Ministry	Actual 1996-97	1997-98		
		Budget Plan	Current Outlook	In-Year Change
Attorney General	20	53	53	--
Citizenship, Culture and Recreation	9	4	4	--
Community and Social Services	116	20	31	11
Economic Development, Trade and Tourism	11	--	--	--
Education and Training	199	450	450	--
Environment	225	154	154	--
Municipal Capital and Operating Restructuring Fund	--	40	40	--
Finance	18			
Health	175	242	242	--
Management Board Secretariat	152	46	46	--
Municipal Affairs and Housing	313	308	311	3
Native Affairs Secretariat	13	12	12	--
Natural Resources	33	25	25	--
Northern Development and Mines	168	193	193	--
Solicitor General and Correctional Services	6	13	13	--
Transportation	1,279	1,190	1,205	15
<b>TOTAL CAPITAL EXPENSE</b>	<b>2,737</b>	<b>2,750</b>	<b>2,779</b>	<b>29</b>

## RESTRUCTURING AND OTHER CHARGES

(\$ Millions)	1997-98
1997-98 Budget Provision	610
Increased Provision this Quarter	900
<b>Total Restructuring and Other Charges</b>	<b>1,510</b>
<b>Allocation:</b>	
Health Care Restructuring	450
Municipal Capital and Operating Restructuring Fund -- Operating	137
Municipal Capital and Operating Restructuring Fund -- Social Housing	23
Special Transition Fund	75
Special Circumstances Fund	77
Municipal Restructuring Fund	50
Highway Transfers	50
Municipal Capital and Operating Restructuring Fund (Operating) -- Reallocated	(137)
Unallocated / Still to be Distributed	785
<b>TOTAL</b>	<b>1,510</b>

# STATEMENT OF FINANCIAL TRANSACTIONS

(\$ Millions)	1997-98			
	Actual 1996-97	Budget Plan	Current Outlook	In-year Change
Deficit	6,905	6,580	5,592	(988)
Cash Timing Adjustments	(1,573)	2,605	2,881	276
Net Cash Requirements	5,332	9,185	8,473	(712)
Maturing Debt	6,474	5,424	5,424	—
Borrowing on Behalf of Agencies	658	575	575	—
Total Financing Requirements	12,464	15,184	14,472	(712)
Financed by:				
Decrease in Liquid Reserves	5,741	3,000	3,000	—
Other Sources	209	94	94	—
Short-Term Borrowing	—	1,500	1,000	(500)
Long-Term Borrowing	6,514	10,590	10,378	(212)
<b>TOTAL FINANCING</b>	<b>12,464</b>	<b>15,184</b>	<b>14,472</b>	<b>(712)</b>

## 1997-98 FINANCING ACTIVITIES TO SEPTEMBER 30, 1997

(\$ Millions)	Issued	Remaining	% Completed
LONG TERM DEBT ISSUES	6,419	3,959	62

- Long-term debt issues undertaken in the second quarter totalled \$2,003 million as follows:

	(\$ Millions)
Canadian Domestic Market	1,641
Samurai Issue	362
	<b>2,003</b>

- The Province's total direct debt is forecast to be \$107.6 billion at March 31, 1998 up from \$101.5 billion at March 31, 1997.





# ONTARIO FINANCES

1997-98 THIRD QUARTER

QUARTERLY UPDATE - DECEMBER 31, 1997

Government  
Publications



Ontario

Ministry of Finance

CA20N  
TR  
-052

ary

	Actual 1996-97	1997-98		
		Budget Plan	Current Outlook	In-Year Change
Revenue	49,450	48,400	50,825	2,425
Expense				
Programs	42,581	41,780	42,642	862
Restructuring and Other Charges	2,430	610	1,510	900
Total Programs Expense	45,011	42,390	44,152	1,762
Capital	2,737	2,750	2,789	39
Public Debt Interest	8,607	9,190	9,046	(144)
Total Expense	56,355	54,330	55,987	1,657
Reserve	-	650	--	(650)
DEFICIT	6,905	6,580	5,162	(1,418)

## HIGHLIGHTS

### 1997-98 IN-YEAR PERFORMANCE

#### DEFICIT OUTLOOK AT \$5.2 BILLION

- The 1997-98 deficit, at \$5,162 million, is down \$1,418 million from the Budget Plan and \$430 million lower than second quarter results.

#### REVENUE AT \$50.8 BILLION

- The revenue outlook for 1997-98 is \$50,825 million, \$2,425 million above the outlook in the 1997 Budget and up \$525 million from the level reported in the Second Quarter Ontario Finances, mainly due to higher personal income tax revenue.

#### EXPENSE AT \$56.0 BILLION

- Total expense, at \$55,987 million, is up \$1,657 million from the Budget Plan and up \$95 million from the level reported in the Second Quarter Ontario Finances, mainly due to relief provided to those affected by the recent severe ice storms in Eastern Ontario.

#### RESERVE ELIMINATED

- The \$650 million reserve included in the 1997 Budget to protect the fiscal plan against unforeseen risks, such as unexpected and adverse changes in the economic outlook, will not be needed. With the strong improvement in Ontario's economic performance since the 1997 Budget, the reserve was applied to deficit reduction in the Second Quarter Ontario Finances.

For further information contact  
Communications Services (416) 325-0333  
Frost Building North, Queen's Park  
Toronto M7A 1Y7

Ce rapport est disponible en français.  
Pour de plus amples renseignements,  
communiquez avec les Services des Communications,  
édifice Frost nord, Queen's Park, Toronto M7A 1Y7  
téléphone : (416) 325-0333.

This document is available on the Internet at: <http://www.gov.on.ca/fin/hmpage.html>



# ONTARIO FINANCES

## DETAILS OF IN-YEAR CHANGES

---

### FISCAL PERFORMANCE

#### REVENUE

- The current revenue outlook of \$50,825 million is \$2,425 million above the Budget Plan and up \$525 million from the outlook in the Second Quarter Ontario Finances.
- Major revenue changes this quarter are:
  - The Personal Income Tax (PIT) outlook is \$630 million higher than the Second Quarter Ontario Finances due to stronger 1996 assessments. Data received from Revenue Canada on the assessment of 1996 PIT returns indicates that 1996 PIT is higher than incorporated in the Second Quarter PIT estimate.
  - Revenue from the Government of Canada is \$10 million higher than the amount reported in Second Quarter Ontario Finances. Based on amounts committed by the Province to date for disaster relief in the wake of the recent ice storms in Eastern Ontario, it is expected that Ontario will receive \$45 million from the federal government in 1997-98, under the cost-sharing rules of the Disaster Financial Assistance Arrangements (DFAA). This is partly offset by a \$35 million decrease in Canada Health and Social Transfer (CHST) payments reflecting the upward revision in Personal Income Tax, partially offset by a positive prior year adjustment due to federal data revisions.
  - Ontario Lottery Corporation income is \$90 million lower due to the revised implementation schedule for Video Lotteries at race tracks and Charity Gaming Clubs.
  - Miscellaneous revenue is \$25 million lower as a result of the revised implementation schedule for Charity Gaming Clubs.

#### OPERATING EXPENSE

- Operating expense at \$53,198 million is up \$1,618 million from the Budget Plan. Major changes resulting in a net increase in operating expense of \$85 million this quarter include:
  - Ministry of Agriculture, Food and Rural Affairs: An initial \$10 million for immediate disaster relief to the farming community affected by the recent severe ice storms in Eastern Ontario.
  - Ministry of the Attorney General: An expenditure increase of \$4 million, including \$1 million for the Police Complaints Commission to continue operations to the end of the fiscal year; and an additional \$3 million for the Office of the Public Guardian and Trustee for operational requirements.
  - Ministry of Citizenship, Culture and Recreation: An increase of \$1 million in transition funding to transform the Ontario Trillium Foundation into an agency which will distribute video lottery based funds of up to \$100 million to charitable and not-for-profit organizations.
  - Ministry of Community and Social Services: A net expenditure decrease of \$42 million due to savings of \$45 million in social assistance as a result of lower caseloads; and an additional \$3 million for necessary Year 2000 computer systems changes.

# ONTARIO FINANCES

## DETAILS OF IN-YEAR CHANGES

---

### FISCAL PERFORMANCE Cont'd

- Ministry of Consumer and Commercial Relations: An expenditure increase of \$1 million for the Video Lottery Special Communications unit.
- Ministry of Education and Training: An additional \$102 million reflecting the government's commitment to stable funding for the former Metropolitan Toronto School Board and the Ottawa Board of Education.
- Ministry of Finance: An expenditure increase of \$3 million in transition costs resulting from municipal boundary changes, including administration and systems tax changes, and staff and systems development, fully offset from the Contingency Fund; an additional \$2 million for the Integrated Information Systems Project, transferred from the Management Board Secretariat; and \$1 million in funding to implement Budget tax changes and technology efficiency measures, fully offset from the Contingency Fund.
- Ministry of Health: An extra \$2 million for necessary Year 2000 computer systems changes.
- Ministry of Intergovernmental Affairs: An expenditure increase of \$1 million for the Canadian Unity Public Consultation to enable Ontario to fulfil its commitment to the Calgary framework.
- Ministry of Labour: \$1 million in additional funding for the Employee Wage Protection Program; and an additional \$2 million, fully offset from the Contingency Fund, to support implementation of the Public Sector Transition Stability Act.
- Management Board Secretariat: A net reduction in expense of \$16 million due to a savings of \$15 million in the Human Resources Management Information System; the transfer of \$2 million to the Ministry of Finance for the Integrated Information Systems Project; and an additional \$1 million for necessary Year 2000 computer systems changes.
- Ministry of Municipal Affairs and Housing: An initial \$55 million to provide immediate disaster relief to victims of the recent severe ice storms in Eastern Ontario; and an additional \$50 million for financial assistance for local services realignment to the City of Toronto, fully offset from the provision of Restructuring and Other Charges.
- Ministry of Natural Resources: Savings of \$5 million in Extra Forest Fire Fighting.
- Ministry of the Solicitor General and Correctional Services: an expenditure increase of \$1 million for the expansion of the training capacity at the Ontario Police College; an additional \$2 million for the Centre for Forensic Sciences to address concerns raised in the Kaufman Inquiry; and \$1 million for necessary Year 2000 computer systems changes to the Integrated Justice System.
- Ministry of Transportation: An additional \$4 million for truck inspection stations as part of implementing Road Safety III; and an extra \$1 million for necessary Year 2000 computer systems changes.

# ONTARIO FINANCES

## DETAILS OF IN-YEAR CHANGES

---

### FISCAL PERFORMANCE CONT'D

#### PUBLIC DEBT INTEREST

- Public Debt Interest costs at \$9,046 million are \$144 million below the Budget Plan and \$40 million below the Second Quarter projection as a result of interest rates remaining below the prudent Budget forecast assumptions.

#### CAPITAL EXPENSE

- Capital expense at \$2,789 million is up \$39 million from the Budget Plan and up \$10 million from the Second Quarter Ontario Finances. Changes this quarter are:
  - Ministry of Municipal Affairs and Housing: An initial \$10 million in immediate disaster relief for public agencies and municipalities for damaged or lost public property as a result of the recent severe ice storms in Eastern Ontario.



# ONTARIO FINANCES

## ECONOMIC PERFORMANCE

---

### **ONTARIO ECONOMY RECORDS STRONG GROWTH IN THE THIRD QUARTER OF 1997**

- In the third calendar quarter of 1997 (July-September period), Ontario real GDP rose 5.7% at annual rate, compared to growth of 4.1% for Canada.
- Growth was led by increased spending on personal consumption, business investment, and housing.

### **PRIVATE SECTOR SHOWS STRONG JOB GAINS IN 1997**

- Over the past 11 months, private sector employment has increased by 234,000.
- The unemployment rate in Ontario was 8.0% in January.

### **CONSUMER CONFIDENCE AT A NINE-YEAR HIGH IN THE JULY-SEPTEMBER PERIOD**

- Consumer confidence for Ontario rose for the seventh straight quarter and reached a nine-year high in the third quarter of 1997

### **STRONG CONSUMER SPENDING IN 1997**

- Over the first 11 months of 1997, Ontario retail sales rose 6.8%.
- Ontario unit auto sales increased 17.0% during the first 11 months of 1997.

### **HOUSING MARKET REMAINS VIBRANT IN 1997**

- Housing starts rose 25.6% in Ontario during 1997. Ontario home resales rose 1.9% for the year 1997.

### **MANUFACTURING SHIPMENTS GROWING**

- Over the first 11 months of 1997, Ontario manufacturing shipments rose 7.4% from a year ago.
- In the transportation equipment sector, shipments rose 11.7% so far this year. Auto production reached a record level of 2.5 million units in 1997.

### **ONTARIO EXPORTS RISING**

- Over the first 11 months of 1997, Ontario international merchandise exports increased 7.9% from a year earlier.

### **ONTARIO INFLATION REMAINS LOW**

- Ontario's inflation rate as measured by the Consumer Price Index (CPI) was 0.7% in December (year-over-year).

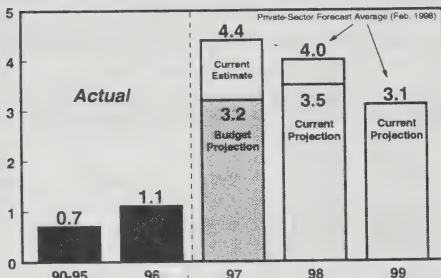


# ONTARIO FINANCES

## SELECTED FISCAL INDICATORS

### Strong Growth Projected

Real GDP growth, average annual per cent



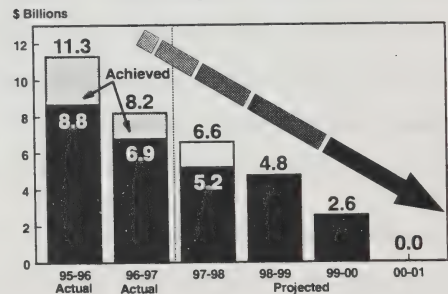
Sources: Statistics Canada and Ontario Ministry of Finance

Following a half-decade of limited and sporadic growth, domestic spending has entered a period of strong and sustained growth. This growth reflects the impact of personal income tax cuts, lower interest rates and growing consumer and business confidence. Private-sector forecasters expect Ontario to grow more rapidly than the rest of Canada and all of the G-7 countries over the next three years. The private-sector forecast average for real GDP growth has increased to 4.0% from the 3.5% forecast in May.

In the fall of 1995 the Government set out its Balanced Budget Plan to eliminate the deficit by the year 2000-01. Ontario remains on track to meet the declining annual deficit targets outlined in the Plan. 1996-97 was the second year in a row that the deficit target has been over-achieved. The 1995-96 Budget deficit target was over-achieved by \$508 million. The 1996-97 audited actual deficit was \$1,275 million below the Budget target of \$8.2 billion. The projected 1997-98 deficit is \$5.2 billion, down \$1,418 million from the \$6.6 billion deficit target set out in the Budget.

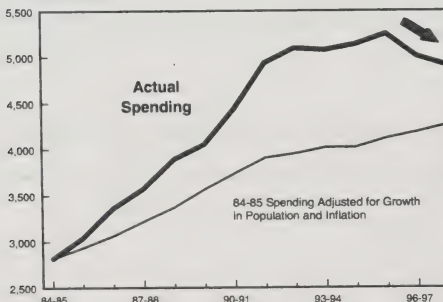
### Ontario's Balanced Budget Plan on Track

Medium Term Deficit Targets



### Less Government, Lower Spending

\$ Per Capita Spending



Since assuming office the Government has taken firm action to control spending. Between 1984-85 and 1995-96, Provincial spending per person almost doubled, growing much faster than the rate of inflation. With the measures taken to control spending since June 1995, the Government has reversed this trend. Government spending has been reduced in each of the past two years. Spending per person in 1997-98 will fall to \$4,908, a decline of 2.0 per cent from 1996-97. Spending per person this year is down 6.5 per cent from the high of \$5,251 recorded in 1995-96.

# ONTARIO FINANCES

## RECENT ECONOMIC DEVELOPMENTS

### KEY ECONOMIC INDICATORS

(% Change from previous Period, unless indicated otherwise)

		Annual		Quarterly				
		1996	1997	96:3	96:4	97:1	97:2	97:3
<b>Output (Seasonally Adjusted Annual Rate)</b>								
Real GDP	Ontario	1.1	4.4	3.3	2.6	7.5	6.7	5.7
Nominal GDP	Ontario	2.5	5.7	5.3	4.8	8.0	5.9	4.3
		Annual		Monthly 1997				
		1996	1997	Sept	Oct	Nov	Dec	Jan
<b>Other Indicators (Seasonally Adjusted)</b>								
<b>Labour Markets</b>								
Labour Force (Change in 000s)	Ontario	107	76	(1)	8	7	(2)	52
Employment (Change in 000s)	Ontario	80	102	0	(10)	13	28	39
Private Sector	Ontario	90	130	10	(3)	(10)	9	35
Public Sector	Ontario	(10)	(26)	(9)	(7)	23	20	4
Unemployment Rate (%)	Ontario	9.1	8.5	8.1	8.4	8.3	7.8	8.0
<b>Household Sector</b>								
Retail Sales	Ontario	0.3	N/A	0.0	1.0	(0.7)	N/A	N/A
Urban Housing Starts (000s)	Ontario	39.5	50.0	49.5	53.4	48.2	50.5	N/A
New Home Sales*	Toronto	59.6	30.6	42.4	7.2	(9.5)	(15.9)	N/A
MLS Home Sales*	Ontario	31.3	1.9	2.4	(6.0)	(28.3)	(25.0)	N/A
<b>Manufacturing Shipments</b>								
Motor Vehicle Shipments	Ontario	2.5	N/A	(1.2)	2.7	(0.6)	N/A	N/A
Motor Vehicle Shipments	Ontario	5.1	N/A	(1.1)	3.6	1.2	N/A	N/A
<b>Consumer Price Index: All Items</b>	Ontario	1.6	1.9	2.0	1.8	0.8	0.7	N/A

Sources: Statistics Canada, Ontario Ministry of Finance, Canada Mortgage and Housing Corporation, Toronto Real Estate Board, Canadian Real Estate Association, Ward's Automotive.

\* % change from a year earlier



**ONTARIO FINANCES**  
**FINANCIAL TABLES**

# REVENUE

(\$ Millions)	Actual 1996-97	1997-98		
		Budget Plan	Current Outlook	In-Year Change
<b>TAXATION REVENUE</b>				
Personal Income Tax	16,357	14,490	16,260	1,770
Retail Sales Tax	9,964	10,390	10,590	200
Corporations Tax	5,852	6,450	6,550	100
Employer Health Tax	2,772	2,640	2,640	--
Gasoline Tax	1,951	1,970	1,970	--
Fuel Tax	540	545	545	--
Tobacco Tax	356	415	415	--
Land Transfer Tax	444	450	510	60
Mining Profits Tax	54	60	60	--
Race Tracks Tax	46	10	10	--
Preferred Share Dividends Tax	73	60	60	--
Other Taxation	57	25	25	--
	<b>38,466</b>	<b>37,505</b>	<b>39,635</b>	<b>2,130</b>
<b>GOVERNMENT OF CANADA</b>				
Canada Health and Social Transfer	4,814	4,205	3,925	(280)
National Training Act	37	--	--	--
Bilingualism Development	44	48	48	--
Young Offenders Act	59	59	59	--
Vocational Rehabilitation	65	64	64	--
Canada-Ontario Infrastructure Works	142	201	201	--
Social Housing	341	476	476	--
Other	276	242	297	55
	<b>5,778</b>	<b>5,295</b>	<b>5,070</b>	<b>(225)</b>
<b>INCOME FROM GOVERNMENT ENTERPRISES</b>				
Ontario Lottery Corporation	654	785	695	(90)
Liquor Control Board of Ontario	701	730	730	--
Ontario Casino Corporation	594	740	740	--
Other	10	65	65	--
	<b>1,959</b>	<b>2,320</b>	<b>2,230</b>	<b>(90)</b>
<b>OTHER REVENUE</b>				
Vehicle/Driver Registration Fees	816	805	860	55
Other Fees and Licences	624	625	625	--
Liquor Licence Board of Ontario Revenues	520	525	525	--
Royalties	264	225	225	--
Sales and Rentals	543	445	445	--
Fines and Penalties	157	90	106	16
Local Services Realignment -				
Reimbursement of Expenditure	--	--	564	564
Miscellaneous	323	565	540	(25)
	<b>3,247</b>	<b>3,280</b>	<b>3,890</b>	<b>610</b>
<b>TOTAL REVENUE</b>	<b>49,450</b>	<b>48,400</b>	<b>50,825</b>	<b>2,425</b>



# OPERATING EXPENSE

(\$ Millions)		1997-98		
MINISTRY	Actual 1996-97	Budget Plan	Current Outlook	In-Year Change
Agriculture, Food and Rural Affairs	412	405	415	10
Crop Insurance Claims	62	45	45	--
Attorney General	638	654	649	(5)
Board of Internal Economy	124	119	114	(5)
Citizenship, Culture and Recreation	302	280	284	4
Community and Social Services	7,965	7,848	8,021	173
Consumer and Commercial Relations	123	94	109	15
Economic Development, Trade and Tourism	245	201	207	6
Education and Training	8,075	7,735	7,868	133
Teachers' Pension Plan	683	745	555	(190)
Energy, Science and Technology*	11	11	11	--
Environment*	146	139	139	--
Executive Offices	13	13	13	--
Finance - Own Account	435	445	472	27
Public Debt Interest	8,607	9,190	9,046	(144)
Municipal Capital and Operating Restructuring Fund	--	137	--	(137)
Community Reinvestment Fund	--	142	217	75
Restructuring and Other Charges -- Unallocated	--	--	735	735
Special Transition Fund	--	--	75	75
Special Circumstances Fund	--	--	77	77
Health	17,760	17,845	17,953	108
Health Care Restructuring	970	450	450	--
Intergovernmental Affairs	4	4	5	1
Labour	103	106	109	3
Management Board Secretariat	712	353	345	(8)
Public Service/OPSEU Pension Plan	94	145	181	36
Contingency Fund	--	380	461	81
Employee Severance	438	--	--	--
Municipal Affairs and Housing	2,456	2,020	2,345	325
Municipal Capital and Operating Restructuring Fund	150	23	23	--
Municipal Restructuring Fund	--	--	50	50
Native Affairs Secretariat	17	9	10	1
Natural Resources	417	369	410	41
Northern Development & Mines	52	41	42	1
Office of Francophone Affairs	2	2	2	--
Office Responsible for Women's Issues	14	20	20	--
Solicitor General and Correctional Services	1,159	1,095	1,102	7
Transportation	879	715	788	73
Restructuring/Municipal Capital and Operating Restructuring Fund	550	--	50	50
Year-end Savings	--	(200)	(200)	--
<b>TOTAL OPERATING EXPENSE</b>	<b>53,618</b>	<b>51,580</b>	<b>53,198</b>	<b>1,618</b>

\* Interim allocation pending ministry restructuring which is currently underway

# CAPITAL EXPENSE

(\$ Millions)	Actual 1996-97	1997-98		
		Budget Plan	Current Outlook	In-Year Change
<b>MINISTRY</b>				
Attorney General	20	53	53	--
Citizenship, Culture and Recreation	9	4	4	--
Community and Social Services	116	20	31	11
Economic Development, Trade and Tourism	11	--	--	--
Education and Training	199	450	450	--
Environment	225	154	154	--
Municipal Capital and Operating Restructuring Fund	--	40	40	--
Finance	18	--	--	--
Health	175	242	242	--
Management Board Secretariat	152	46	46	--
Municipal Affairs and Housing	313	308	321	13
Native Affairs Secretariat	13	12	12	--
Natural Resources	33	25	25	--
Northern Development & Mines	168	193	193	--
Solicitor General and Correctional Services	6	13	13	--
Transportation	1,279	1,190	1,205	15
<b>TOTAL CAPITAL EXPENSE</b>	<b>2,737</b>	<b>2,750</b>	<b>2,789</b>	<b>39</b>

## RESTRUCTURING AND OTHER CHARGES

(\$ Millions)	1997-98
1997-98 Budget Provision	610
Increased Provision in Second Quarter	900
<b>Total Restructuring and Other Charges</b>	<b>1,510</b>
<b>Allocation:</b>	
Health Care Restructuring	450
Municipal Capital and Operating Restructuring Fund -- Operating	137
Municipal Capital and Operating Restructuring Fund -- Social Housing	23
Special Transition Fund	75
Special Circumstances Fund	77
Municipal Restructuring Fund	50
Highway Transfers	50
Municipal Capital and Operating Restructuring Fund (Operating) -- Reallocated	(137)
City of Toronto Financial Assistance for Local Services Realignment	50
Unallocated / Still to be Distributed	735
<b>TOTAL</b>	<b>1,510</b>

# STATEMENT OF FINANCIAL TRANSACTIONS

(\$ Millions)	Actual 1996-97	1997-98		
		Budget Plan	Current Outlook	In-year Change
Deficit	6,905	6,580	5,162	(1,418)
Cash Timing Adjustments	(1,573)	2,605	2,866	261
Net Cash Requirements	5,332	9,185	8,028	(1,157)
Maturing Debt	6,474	5,424	5,768	344
Borrowing on Behalf of Agencies	658	575	200	(375)
Total Financing Requirements	12,464	15,184	13,996	(1,188)
Financed by:				
Decrease in Liquid Reserves	5,741	3,000	3,000	--
Other Sources	209	94	94	--
Short-term Borrowing	--	1,500	524	(976)
Long-term Borrowing	6,514	10,590	10,378	(212)
<b>TOTAL FINANCING</b>	<b>12,464</b>	<b>15,184</b>	<b>13,996</b>	<b>(1,188)</b>

## 1997-98 FINANCING ACTIVITIES TO DECEMBER 31, 1997

(\$ Millions)	Issued	Remaining	% Completed
Long Term Debt Issues	8,347	2,031	80.4

- Long-term debt issues undertaken in this quarter totalled \$1,928 million. The entire amount of borrowing was done in the domestic market.
- The Province's total direct debt is forecast to be \$106.7 billion at March 31, 1998, up from \$101.5 billion at March 31, 1997.

## ONTARIO FINANCES

1998-99 FIRST QUARTER

QUARTERLY UPDATE - JUNE 30, 1998



Ministry of Finance

Fiscal Summary  
(\$ Millions)CA20N  
TR  
-052

	Interim 1997-98	Budget Plan	1998-99	
			Current Outlook	In-Year Change
<b>Revenue</b>	52,110	53,390	53,394	4
<b>Expense</b>				
Programs	42,963	45,219	45,229	10
Restructuring and Other Charges	3,211	194	194	--
Total Programs Expense	46,174	45,413	45,423	10
Capital	2,411	2,337	2,364	27
Public Debt Interest	8,728	9,214	9,177	(37)
Total Expense	57,313	56,964	56,964	--
Reserve		650	650	--
<b>DEFICIT</b>	<b>5,203</b>	<b>4,224</b>	<b>4,220</b>	<b>(4)</b>

## HIGHLIGHTS

## 1998-99 IN-YEAR PERFORMANCE

## DEFICIT OUTLOOK AT \$4.2 BILLION

- ◆ The 1998-99 deficit remains on track with the Budget Plan. As of June 30, 1998, the deficit is projected at \$4,220 million, down \$4 million from the Budget Plan.

## REVENUE AT \$53.4 BILLION

- ◆ The revenue outlook, at \$53,394 million, is up \$4 million from the Budget Plan.

## EXPENSE AT \$57.0 BILLION

- ◆ Total expense, at \$56,964 million, is unchanged from the Budget Plan.

## RESERVE AT \$650 MILLION

- ◆ The reserve, designed to protect the fiscal plan against unforeseen risks, such as unexpected and adverse changes in the economic outlook, and its impact on revenues and public debt interest costs, is maintained at \$650 million. If this reserve is not required, it will be applied toward deficit reduction.

For further information contact  
Communications Services (416) 325-0333  
Frost Building North, Queen's Park  
Toronto M7A 1Y7

Ce rapport est disponible en français.  
Pour de plus amples renseignements,  
communiquiez avec les Services des Communications,  
édifice Frost nord, Queen's Park, Toronto M7A 1Y7  
téléphone : (416) 325-0333.

This document is available on the Internet at: <http://www.gov.on.ca/fin/hmpage.html>





# ONTARIO FINANCES

## DETAILS OF IN-YEAR CHANGES

---

### FISCAL PERFORMANCE

#### REVENUE

- ◆ Revenue at \$53,394 million, is up \$4 million from the Budget Plan due to an increase of \$2 million in non-tax revenue for policing services provided by the OPP to the Town of Goderich, the Township of North Grenville and the First Nations of Rama and \$2 million from the Ontario Heritage Foundation for Niagara Escarpment land acquisition.

#### OPERATING EXPENSE

- ◆ Net operating expense at \$54,600 million is down \$27 million from the Budget Plan. Major changes this quarter are as follows:
  - ◆ Ministry of Agriculture, Food and Rural Affairs: An additional \$1 million for necessary Year 2000 computer system changes, fully offset from the Contingency Fund.
  - ◆ Ministry of the Attorney General: An additional \$1 million to continue the Bail Verification and Supervision Program for the current year.
  - ◆ Ministry of Citizenship, Culture and Recreation: An additional \$1 million, fully offset from the Contingency Fund, for necessary Year 2000 computer system changes; and an additional \$2 million for the Trillium Foundation.
  - ◆ Ministry of Community and Social Services: An additional \$3 million for necessary Year 2000 computer system changes, fully offset from the Contingency Fund, and an extra \$2 million to supplement base funding for the Child Nutrition program.
  - ◆ Ministry of Consumer and Commercial Relations: An additional \$2 million, fully offset from the Contingency Fund, for necessary Year 2000 computer system changes.
  - ◆ Ministry of Economic Development, Trade and Tourism: An increase of \$30 million resulting from the transfer of the Grants for Strategic Skills Investment program from the Ministry of Energy, Science and Technology; \$4 million in additional operational funding for ORTECH; and a reduction of \$1 million due to the transfer of the Interactive Digital Media Small Business Growth Fund program to the Ministry of Energy, Science and Technology.
  - ◆ Ministry of Education and Training: An additional \$1 million, fully offset from the Contingency Fund, for necessary Year 2000 computer system changes; and a reduction of \$5 million in the ministry resulting from the transfer of the Research Excellence Awards program to the Ministry of Energy, Science and Technology.
  - ◆ Ministry of Energy, Science and Technology: Funding of \$5 million for the Research Excellence Awards program transferred from the Ministry of Education and Training; funding of \$1 million for the Interactive Digital Media Small Business Growth Fund program transferred from the Ministry of Economic Development, Trade and Tourism; and a reduction of \$30 million for the transfer of the Grants for Strategic Skills Investment program to the Ministry of Economic Development, Trade and Tourism.
  - ◆ Ministry of Finance: An additional \$3 million to provide a workflow and imaging system to improve the handling of Corporations' Income Tax returns and an extra \$4 million for necessary Year 2000 computer system changes, both fully offset from the Contingency Fund.
  - ◆ Ministry of Health: An additional \$18 million for necessary Year 2000 computer system changes, fully offset from the Contingency Fund; an additional \$20 million for hospitals mainly to address high demographic growth pressures; and a reduction of \$4 million due to the transfer of funding for the Government Mobile Communications Office to the Ministry of the Solicitor General and Correctional Services.

# ONTARIO FINANCES

## DETAILS OF IN-YEAR CHANGES

---

### OPERATING EXPENSE CONT'D

- ◆ Management Board Secretariat: An additional \$8 million, fully offset from the Contingency Fund, for necessary Year 2000 computer system changes.
- ◆ Ministry of Municipal Affairs and Housing: An additional \$2 million, fully offset from the Contingency Fund, for necessary Year 2000 computer system changes.
- ◆ Ontario Native Affairs Secretariat: An additional \$1 million for the implementation of the Working Partnership initiative.
- ◆ Ministry of Natural Resources: An additional \$30 million for extra forest fire fighting and an additional \$2 million for necessary Year 2000 computer system changes, both fully offset from the Contingency Fund; an extra \$2 million for Natural Areas Protection; and a reduction of \$2 million due to the transfer of funding for the Government Mobile Communications Office to the Ministry of the Solicitor General and Correctional Services.
- ◆ Ministry of the Solicitor General and Correctional Services: An additional \$8 million, fully offset from the Contingency Fund, for necessary Year 2000 computer system changes; a net increase of \$2 million for OPP policing services contracts with the Town of Goderich, the Township of North Grenville, the First Nations of Rama, and Lac Seul; and an additional \$10 million in funding transferred from the Ministries of Health (\$4 million), Natural Resources (\$2 million operating and \$2 million capital) and Transportation (\$2 million) for the Government Mobile Communications Office.
- ◆ Ministry of Transportation: An additional \$1 million, fully offset from the Contingency Fund, for necessary Year 2000 computer system changes; less \$2 million in funding transferred to the Ministry of the Solicitor General and Correctional Services for the Government Mobile Communications Office.

### PUBLIC DEBT INTEREST

- ◆ Public Debt Interest is projected to be \$37 million below the Budget forecast. Interest cost savings resulting from lower-than-budgeted interest rates were partly offset by the cost of providing payments to school boards on behalf of municipalities to enable municipalities to meet their obligations to school boards during the transition period to a new property tax system.

### CAPITAL EXPENSE

- ◆ Capital expense at \$2,364 million is up \$27 million from the Budget Plan. Major changes this quarter are:
  - ◆ Ministry of Natural Resources: \$2 million transferred to the Ministry of Solicitor General and Correctional Services operating account for the Government Mobile Communications Office.
  - ◆ Ministry of the Solicitor General and Correctional Services: An additional \$1 million for architectural design and compliance fees for the Correctional Services Adult Infrastructure Renewal Project.
  - ◆ Ministry of Transportation: An additional \$28 million to support local transportation initiatives largely offset by \$26 million from the Contingency Fund.

# ONTARIO FINANCES

## ECONOMIC PERFORMANCE

---

### ONTARIO ECONOMIC GROWTH UP IN THE FIRST QUARTER OF 1998

- ◆ In the first calendar quarter of 1998 (January-March period), Ontario real GDP rose 6.0% at annual rates, following 3.0% growth in the fourth quarter, when labour disruptions slowed economic activity.
- ◆ Growth was driven by personal consumption, housing and exports.

### ONTARIO EMPLOYMENT GROWTH CONTINUES IN 1998

- ◆ During the first half of 1998, 217,000 jobs have been created in Ontario, compared to the same period a year ago.
- ◆ The unemployment rate in Ontario was 7.1% in June.
- ◆ Over the first six months of 1998, private sector employment has increased by 177,000.

### STRONG CONSUMER SPENDING IN 1998

- ◆ Over the first five months of 1998, Ontario retail sales increased 9.4% from a year earlier.

### HOUSING MARKET REMAINS VIBRANT

- ◆ Over the first six months of 1998, all-area housing starts rose 6.5% in Ontario from a year ago.

### MANUFACTURING SHIPMENTS GROWING

- ◆ Over the first five months of 1998, Ontario manufacturing shipments rose 6.0% from a year ago.
- ◆ In the transportation equipment sector, shipments rose 7.0% so far this year.

### ONTARIO EXPORTS RISING IN 1998

- ◆ Over the first five months of 1998, Ontario international merchandise exports increased 8.2% from a year ago.

### ONTARIO INFLATION REMAINS LOW IN 1998

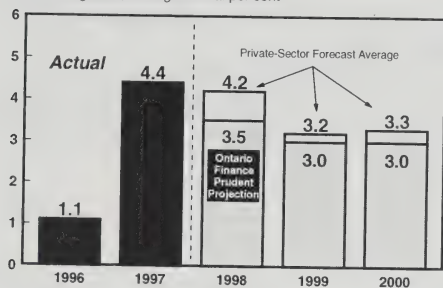
- ◆ Ontario's inflation rate as measured by the Consumer Price Index (CPI) was 0.7% in June (year-over-year).

# ONTARIO FINANCES

## SELECTED FISCAL INDICATORS

### Continued Strong Growth Projected

Real GDP growth, average annual per cent

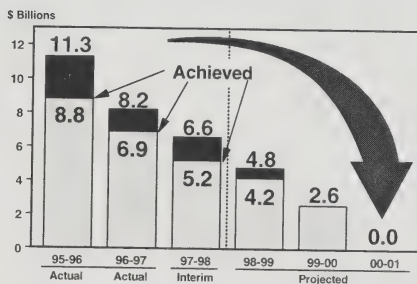


Sources: Statistics Canada and Ontario Ministry of Finance

The Ontario economy has continued to grow at a healthy pace. Consumer spending, business investment, housing and exports all are contributing to economic growth. Tax cuts, solid job creation and income gains are providing the basis for a sustained expansion. Private-sector forecasters continue to expect the Ontario economy to grow faster than the Canadian economy as a whole or any of the G-7 economies over the next three years. For 1998, the private-sector forecast average for real GDP growth is 4.2 per cent, 0.7 percentage points higher than the Ministry of Finance's prudent projection.

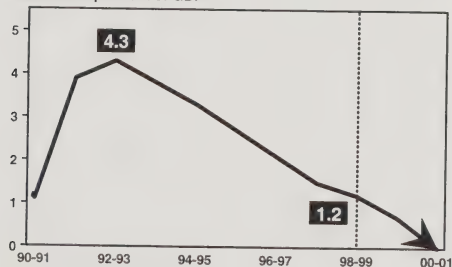
In the fall of 1995 the Government set out its Balanced Budget Plan to eliminate the deficit by the year 2000-01. Ontario remains on track to meet the declining annual deficit targets outlined in the Plan. Based on interim results, 1997-98 was the third year in a row that the deficit target has been overachieved. The 1998-99 Balanced Budget Plan deficit target of \$4.8 billion has been cut by almost \$0.6 billion and is forecast at \$4.2 billion.

### Ontario's Balanced Budget Plan on Track



### Deficit Falls to 1.2% of GDP in 1998-99

Deficit as a per cent of GDP



A key indicator of Ontario's improved fiscal health is the falling deficit as a share of the economy. In 1998-99, Ontario's deficit will decline to 1.2 per cent of Gross Domestic Product (GDP). In the early 1990's Ontario Budgetary deficit rose significantly, reaching a peak of 4.3 per cent of provincial GDP in 1992-93. Under the Balanced Budget Plan, the deficit will be reduced to 1.2 per cent of GDP this year and will fall to zero in 2000-01 when the deficit is eliminated.



# ONTARIO FINANCES

## RECENT ECONOMIC DEVELOPMENTS

KEY ECONOMIC INDICATORS (% Change from previous Period, unless indicated otherwise)								
		Annual		Quarterly				
		1997	97:1	97:2	97:3	97:4	98:1	98:2
<b>Output (Seasonally Adjusted Annual Rate)</b>								
Real GDP	Ontario	4.4	7.0	6.3	7.0	3.0	6.0	N/A
Nominal GDP	Ontario	4.8	6.3	5.5	6.3	2.5	7.1	N/A
		Annual		Monthly 1997				
		1997	Jan	Feb	Mar	Apr	May	June
<b>Other Indicators (Seasonally Adjusted)</b>								
<b>Labour Markets</b>								
Labour Force (Change in 000s)	Ontario	76	52	16	(10)	11	9	(16)
Employment (Change in 000s)	Ontario	102	39	35	3	23	13	(14)
Private Sector	Ontario	130	35	30	(4)	(2)	2	(23)
Public Sector	Ontario	(28)	4	5	7	25	12	9
Unemployment Rate (%)	Ontario	8.5	8.0	7.6	7.4	7.2	7.1	7.1
<b>Household Sector</b>								
Retail Sales	Ontario	7.8	(1.6)	(0.4)	1.2	2.4	2.1	N/A
Urban Housing Starts (000s)	Ontario	50.0	51.5	56.7	70.1	55.1	50.6	46.1
New Home Sales*	Toronto	30.6	(17.9)	(10.6)	(7.4)	30.7	12.6	16.1
MLS Home Sales*	Ontario	1.9	(25.7)	(11.8)	(2.2)	(7.7)	4.2	N/A
<b>Manufacturing Shipments</b>								
Transportation Equipment	Ontario	8.1	(3.5)	2.4	0.5	(0.6)	(0.3)	N/A
	Ontario	12.7	(7.8)	4.6	2.7	(3.6)	0.2	N/A
<b>Consumer Price Index: All Items</b>	Ontario	1.9	0.9	1.2	1.0	0.6	1.1	0.7

Sources: Statistics Canada, Ontario Ministry of Finance, Canada Mortgage and Housing Corporation, Toronto Real Estate Board, Canadian Real Estate Association, Ward's Automotive.

\* % change from a year earlier



**ONTARIO FINANCES**  
**FINANCIAL TABLES**

# REVENUE

(\$ Millions)	Interim 1997-98	1998-99		In-Year Change
		Budget Plan	Current Outlook	
TAXATION REVENUE				
Personal Income Tax	16,192	14,635	14,635	--
Retail Sales Tax	10,785	11,435	11,435	--
Corporations Tax	7,375	7,600	7,600	--
Employer Health Tax	2,743	2,780	2,780	--
Gasoline Tax	2,010	2,045	2,045	--
Fuel Tax	568	600	600	--
Tobacco Tax	440	470	470	--
Land Transfer Tax	555	580	580	--
Mining Profits Tax	42	50	50	--
Race Tracks Tax	5	6	6	--
Preferred Share Dividends Tax	50	55	55	--
Other Taxation	73	190	190	--
	40,838	40,446	40,446	--
GOVERNMENT OF CANADA				
Canada Health and Social Transfer	3,937	3,950	3,950	--
Fiscal Stabilization	--	--	--	--
National Training Act	--	--	--	--
Bilingualism Development	48	40	40	--
Young Offenders Act	59	59	59	--
Vocational Rehabilitation	45	46	46	--
Canada-Ontario Infrastructure Works	120	92	92	--
Social Housing	389	353	353	--
Other	338	388	388	--
	4,936	4,928	4,928	--
INCOME FROM GOVERNMENT ENTERPRISES				
Ontario Lottery Corporation	714	840	840	--
Liquor Control Board of Ontario	750	760	760	--
Ontario Casino Corporation	760	915	915	--
Other	32	(77)	(77)	--
	2,256	2,438	2,438	--
OTHER REVENUE				
Vehicle/Driver Registration Fees	862	915	915	--
Other Fees and Licences	632	570	570	--
Liquor Licence Board of Ontario Revenues	516	510	510	--
Royalties	324	265	265	--
Sales and Rentals	496	480	480	--
Fines and Penalties	140	40	40	--
Local Services Realignment -				
Reimbursement of Expenditure	540	2,261	2,261	--
Miscellaneous	570	537	541	4
	4,080	5,578	5,582	4
TOTAL REVENUE	52,110	53,390	53,394	4

# OPERATING EXPENSE

(\$ Millions)		1998-99		
MINISTRY	Interim 1997-98	Budget Plan	Current Outlook	In-Year Change
Agriculture, Food and Rural Affairs	291	340	341	1
Farm Tax Rebate	158	--	--	--
Attorney General	624	733	734	1
Board of Internal Economy	115	121	121	--
Citizenship, Culture and Recreation	287	307	310	3
Community and Social Services	8,010	7,848	7,853	5
Consumer and Commercial Relations	100	133	135	2
Economic Development, Trade and Tourism	237	170	203	33
Education and Training	7,832	10,204	10,200	(4)
Teachers' Pension Plan	971	61	61	--
School Board Transition	268	117	117	--
School Board Capital Debentures	971	--	--	--
Energy, Science and Technology	3	161	137	(24)
Environment	158	143	143	--
Executive Offices	14	19	19	--
Finance - Own Account	567	691	698	7
Public Debt Interest	8,728	9,214	9,177	(37)
Community Reinvestment Fund	169	677	677	--
Health	18,340	18,682	18,716	34
Health Care Restructuring	880	--	--	--
Intergovernmental Affairs	5	4	4	--
Labour	114	111	111	--
Management Board Secretariat	323	348	356	8
Public Service/OPSEU Pension Plan	(108)	(100)	(100)	--
Contingency Fund	--	830	720	(110)
OPS Employee Severance	(25)	--	--	--
Retroactive Pay Equity Payments	140	--	--	--
Special Circumstances Fund	--	77	77	--
Municipal Affairs and Housing	2,378	1,728	1,730	2
Municipal Restructuring Fund	75	--	--	--
Native Affairs Secretariat	10	9	10	1
Natural Resources	429	388	420	32
Northern Development and Mines	55	100	100	--
Office of Francophone Affairs	2	3	3	--
Office Responsible for Women's Issues	19	21	21	--
Solicitor General and Correctional Services	1,164	1,188	1,208	20
Transportation	720	499	498	(1)
Restructuring/Municipal Capital and Operating Restructuring Fund	50	--	--	--
TTC Five Year Capital Transfer	828	--	--	--
Year-end Savings	--	(200)	(200)	--
<b>TOTAL OPERATING EXPENSE</b>	<b>54,902</b>	<b>54,627</b>	<b>54,600</b>	<b>(27)</b>

# CAPITAL EXPENSE

(\$ Millions)		1998-99		
		Interim 1997-98	Budget Plan	Current Outlook
MINISTRY				In-Year Change
Agriculture, Food and Rural Affairs	1	3	3	--
Attorney General	47	91	91	--
Citizenship, Culture and Recreation	3	5	5	--
Community and Social Services	31	20	20	--
Economic Development, Trade and Tourism	3	--	--	--
Education and Training	393	379	379	--
Energy, Science and Technology	--	45	45	--
Environment	100	51	51	--
Municipal Capital and Operating Restructuring Fund	--	29	29	--
Finance	5	1	1	--
Health	113	471	471	--
Management Board Secretariat	58	10	10	--
Municipal Affairs and Housing	159	91	91	--
Native Affairs Secretariat	11	12	12	--
Natural Resources	151	29	27	(2)
Northern Development and Mines	175	179	179	--
Solicitor General and Correctional Services	11	72	73	1
Transportation	1,150	849	877	28
<b>TOTAL CAPITAL EXPENSE</b>	<b>2,411</b>	<b>2,337</b>	<b>2,364</b>	<b>27</b>

# STATEMENT OF FINANCIAL TRANSACTIONS

(\$ Millions)	1998-99			
	Interim 1997-98	Budget Plan	Current Outlook	Change from Budget
Deficit	5,203	4,224	4,220	(4)
Cash Timing Adjustments	(929)	3,804	3,804	--
Net Cash Requirements	4,274	8,028	8,024	(4)
Maturing Debt	5,800	5,820	5,910	90
Borrowing on Behalf of Agencies	(200)	286	286	--
Total Financing Requirements	9,874	14,134	14,220	86
Financed by:				
Decrease in Liquid Reserves	74	3,040	3,040	--
Other Sources	(100)	(66)	(66)	--
Increase in Short-Term Borrowing	(1,400)	1,984	1,326	(658)
Long-Term Borrowing*	11,300	9,176	9,920	744
<b>TOTAL FINANCING</b>	<b>9,874</b>	<b>14,134</b>	<b>14,220</b>	<b>86</b>

\* including Ontario Savings Bonds

## 1997-98 FINANCING ACTIVITIES TO DATE

(\$ Millions)	Issued (as of June 30)	Remaining	% Completed
Long-Term Debt Issues	4,015	5,905	40

- ◆ Long-term debt issues undertaken in this quarter totalled \$4,015 million as follows:

	(\$ Millions)
Canadian Domestic Market	3,246
Medium-Term Notes	769
	<b>4,015</b>

- ◆ The 1998 Savings Bond Program raised a total of \$1,954 million, a record for provincial savings bond issues. This enabled the Province to cut the planned increase in short-term borrowing.
- ◆ Maturing debt was revised upward to reflect redemptions of Ontario Savings Bonds in June 1998.
- ◆ The Province's total direct debt is forecast to be \$110.3 billion at March 31, 1999, up from \$105.0 billion at March 31, 1998.






## ONTARIO FINANCES

1998-99 SECOND QUARTER

QUARTERLY UPDATE - SEPTEMBER 30, 1998

 Ontario  
Ministry of Finance
Fiscal Summary  
(\$ Millions)
 CARON  
TR  
-052

	Actual 1997-98	Budget Plan	1998-99	
			Current Outlook	In-Year Change
<b>Revenue</b>	52,488	53,390	54,214	824
<b>Expense</b>				
Programs	43,607	45,219	45,711	492
Restructuring and Other Charges	1,595	194	561	367
Total Programs Expense	45,202	45,413	46,272	859
Capital	2,523	2,337	2,344	7
Public Debt Interest	8,729	9,214	9,161	(53)
Total Expense	56,454	56,964	57,777	813
Reserve	--	650	--	(650)
<b>DEFICIT</b>	<b>3,966</b>	<b>4,224</b>	<b>3,563</b>	<b>(661)</b>

## HIGHLIGHTS

## 1997-98 PUBLIC ACCOUNTS

- ◆ The Public Accounts, released September 28<sup>th</sup>, reported the 1997-98 audited actual deficit at \$3,966 million, down \$1,237 million from the interim forecast in the 1998 Budget. The improvement was due to \$378 million in higher revenues than anticipated in the Budget and net lower expense of \$859 million, mainly related to a change in the accounting treatment of the Province's three-year commitment to fund debt service costs for school board capital debentures.

## 1998-99 IN-YEAR PERFORMANCE

## DEFICIT OUTLOOK AT \$3.6 BILLION

- ◆ The 1998-99 deficit is projected at \$3,563 million, down \$661 million from the 1998 Budget Plan and \$657 million from the First Quarter Ontario Finances.

## REVENUE AT \$54.2 BILLION

- ◆ The revenue outlook, at \$54,214 million, is up \$824 million from the Budget Plan and up \$820 million from First Quarter Ontario Finances, mainly due to higher Personal Income Tax revenue.

## EXPENSE AT \$57.8 BILLION

- ◆ Total expense, at \$57,777 million, is up \$813 million from the Budget Plan and First Quarter Ontario Finances, largely reflecting an additional expense of \$307 million related to the change in accounting treatment of debt servicing costs for school board capital debentures; a net \$367 million increase in the provision for Restructuring and Other Charges; and an additional \$220 million for start-up and insurance costs for Canadian Blood Services, partially offset by a reduction of \$145 million in capital and operating expense for last winter's ice storms, as these costs have been expensed in 1997-98.

## RESERVE APPLIED TO DEFICIT REDUCTION

- ◆ The reserve, designed to protect the fiscal plan against unforeseen risks, such as adverse changes in the economic outlook, and its impact on revenues and public debt interest costs, has been applied to deficit reduction. Based on the improved revenue outlook for 1998-99, the \$650 million reserve will not be needed.

For further information contact  
Communications Services (416) 325-0333  
Frost Building North, Queen's Park  
Toronto M7A 1Y7

Ce rapport est disponible en français.

Pour de plus amples renseignements,

communiquiez avec les Services des Communications,

édifice Frost nord, Queen's Park, Toronto M7A 1Y7

téléphone : (416) 325-0333.

# ONTARIO FINANCES

## DETAILS OF IN-YEAR CHANGES

---

### FISCAL PERFORMANCE

#### REVENUE

The current revenue outlook of \$54,214 million is \$824 million more than the \$53,390 million projected in the 1998 Budget Plan and \$820 million above the projection in the First Quarter Ontario Finances. The increase is mainly due to higher Personal Income Tax (PIT) revenue. The PIT gain is partially offset by lower revenue from the Government of Canada and Other Non-tax Revenue.

- ◆ Personal Income Tax (PIT) revenue is \$1,450 million more than the Budget projection due to an increase in the estimate of 1997 PIT assessments, based on preliminary tax return processing information, and higher projected taxable income for the 1998 tax year.
- ◆ Revenue from the Government of Canada is down by \$593 million.
  - ◆ Canada Health and Social Transfer (CHST) payments are down by \$470 million due to a downward revision in Statistics Canada's population estimates for Ontario for the last ten years, which reduces Ontario's CHST entitlements, and lower cash entitlements resulting from the increased value of the PIT tax points.
  - ◆ Other Federal Revenue is \$123 million lower than the Budget forecast. The 1998 Budget revenue forecast included an anticipated \$125 million for ice storm compensation from the federal government. However, as all ice storm compensation (and expense) was reflected in the 1997-98 Public Accounts, both revenue and expense in 1998-99 are correspondingly reduced by the amounts charged to the previous year. This is partially offset by a \$2 million increase in other federal revenue for Network 2000 and the Public Libraries Network.
- ◆ Other Fees and Licences revenue increased by \$4 million to partially offset the expense increase for the Fish and Wildlife program.
- ◆ Sales and Rentals are down \$10 million due to lower revenue from property management activities.
- ◆ Miscellaneous revenue is down \$31 million from the first quarter. Revenue (and expense) for the Occupational Health and Safety Program are lower by \$35 million as the recovery of prior years' expenditures are now netted against expense, consistent with the treatment of such receipts in the 1997-98 Public Accounts. Partially offsetting this decrease is a \$4 million increase arising out of the new responsibilities of the Ontario Energy Board.

#### OPERATING EXPENSE

- ◆ Net operating expense, at \$55,433 million, is up \$806 million from the Budget Plan. Major changes totalling \$833 million this quarter are as follows:
  - ◆ Ministry of Agriculture, Food and Rural Affairs: An additional \$2 million, fully offset from the Contingency Fund, for necessary Year 2000 computer system changes.
  - ◆ Ministry of the Attorney General: An additional \$1 million to establish the Office for Victims of Crime.
  - ◆ Ministry of Citizenship, Culture and Recreation: An additional \$4 million to plan and develop initiatives to commemorate the millennium throughout Ontario; and \$2 million for Network 2000 and Public Libraries Network.
  - ◆ Ministry of Community and Social Services: A reduction of \$20 million related to capital leases expensed in the Public Accounts in prior years and an additional \$1 million, fully offset from the Contingency Fund, for necessary Year 2000 computer system changes.
  - ◆ Ministry of Consumer and Commercial Relations: An additional \$1 million, fully offset from the Contingency Fund, for necessary Year 2000 computer system changes.

# ONTARIO FINANCES

## DETAILS OF IN-YEAR CHANGES

---

### OPERATING EXPENSE CONT'D

- ◆ Ministry of Education and Training: An additional expense of \$307 million for debt servicing costs for school board capital debentures reflecting a change in the Province's accounting treatment; an additional \$44 million for School Board Transition costs included as part of the overall provision for Restructuring and Other Charges; and an additional \$3 million, fully offset from the Contingency Fund, for necessary Year 2000 computer system changes.
- ◆ Ministry of Energy, Science and Technology: An additional \$4 million to reflect the new responsibilities of the Ontario Energy Board, fully offset by revenue; and an additional \$1 million for the Science and Technology Division, fully offset from the Contingency Fund.
- ◆ Ministry of Environment: An additional \$12 million to launch the Drive Clean Program for the mandatory inspection of vehicle emissions to reduce smog; and \$1 million, fully offset from the Contingency Fund, for necessary Year 2000 computer system changes.
- ◆ Ministry of Finance: An increase of \$404 million, largely as a result of a \$400 million increase in the unallocated provision for Restructuring and Other Charges; as well as an additional \$2 million for necessary Year 2000 computer system changes and an additional \$2 million for the Integrated Financial Information System, both fully offset from the Contingency Fund.
- ◆ Ministry of Health: A net increase of \$234 million, including \$220 million for start-up and insurance costs for Canadian Blood Services and \$16 million, fully offset from the Contingency Fund, for necessary Year 2000 computer system changes.
- ◆ Ministry of Labour: A reduction of \$35 million in the Occupational Health and Safety program as recoveries of prior years' expenditures are now netted against expense, consistent with the treatment in the Public Accounts.
- ◆ Management Board Secretariat: Increases of \$5 million for necessary Year 2000 computer system changes and \$2 million for the Regional Delivery Restructuring Project, both fully offset from the Contingency Fund. Consistent with the classification of restructuring charges in the 1997-98 Public Accounts, the Special Circumstances Fund of \$77 million has been reclassified as program spending. This reclassification will not affect the delivery of the Fund.
- ◆ Ministry of Municipal Affairs and Housing: A reduction of \$125 million in expense for last winter's ice storms in Eastern Ontario as these costs have been expensed in 1997-98; and an additional \$2 million, fully offset from the Contingency Fund, for necessary Year 2000 computer system changes.
- ◆ Ministry of Natural Resources: An additional \$42 million for extra forest fire-fighting; \$6 million for the Fish and Wildlife program to ensure continued protection and management of Ontario's fish and wildlife resources; and a reduction of \$12 million related to capital leases expensed in the Public Accounts in prior years.
- ◆ Ministry of the Solicitor General and Correctional Services: An additional \$1 million, fully offset from the Contingency Fund, for necessary Year 2000 computer system changes.
- ◆ Ministry of Transportation: An additional \$1 million for Vehicle Emission Inspections under the Drive Clean Program; and an additional \$1 million, fully offset from the Contingency Fund, for necessary Year 2000 computer system changes.



# ONTARIO FINANCES

## DETAILS OF IN-YEAR CHANGES

---

### PUBLIC DEBT INTEREST

- ◆ Public Debt Interest is projected at \$9,161 million, down \$16 million from First Quarter Ontario Finances and down \$53 million from the Budget forecast. Interest cost savings resulting from lower-than-budgeted interest rates were partially offset by the cost of providing payments to school boards on behalf of municipalities to meet their obligations to school boards during the transition period to a new property tax system.

### CAPITAL EXPENSE

- ◆ Capital expense at \$2,344 million is up \$7 million from the Budget Plan and down \$20 million from First Quarter Ontario Finances. Major changes this quarter are:
  - ◆ Ministry of the Attorney General: An additional \$1 million to implement six new child-friendly courts.
  - ◆ Ministry of Community and Social Services: An increase of \$3 million consistent with the treatment of capital leases in the Public Accounts.
  - ◆ Ministry of Municipal Affairs: A reduction of \$20 million in expense for last winter's ice storms in Eastern Ontario as these costs were expensed in 1997-98; and savings of \$13 million in the Canada-Ontario Infrastructure Works program due to faster-than-expected completion of projects, which was reflected in final 1997-98 expense.
  - ◆ Ministry of Natural Resources: An additional \$2 million for capital leases.
  - ◆ Ministry of Transportation: An additional \$7 million in transition funding for one-time grants to address unique local transportation requirements.



# ONTARIO FINANCES

## ECONOMIC PERFORMANCE

---

### ONTARIO EMPLOYMENT GROWTH CONTINUES IN 1998

- ◆ During the first nine months of 1998, 195,000 jobs have been created in Ontario, compared to the same period last year.
- ◆ The unemployment rate in Ontario was 7.1% in September.

### CONSUMER SPENDING ACCELERATES IN SECOND QUARTER

- ◆ Real personal consumption rose 2.3% in the second calendar quarter of 1998 (April-June), the strongest quarterly gain in 12 years.

### GROWTH IN ECONOMIC OUTPUT MODERATES IN THE SECOND QUARTER OF 1998

- ◆ In the second calendar quarter of 1998 (April-June period), Ontario real GDP rose 0.8% at annual rates, following 5.8% growth in the first quarter. Labour disruptions in the U.S. auto sector and in the Ontario construction industry accounted for most of the slowdown in economic output.

### HOUSING MARKET REMAINS BUOYANT

- ◆ Ontario home resales were up 4.8% in August from a year ago, while Toronto resales in September were 4.5% above year-earlier levels.
- ◆ Toronto-area new home sales are up 5.2% over the first nine months of 1998.

### MANUFACTURING SHIPMENTS GROWING

- ◆ Over the first eight months of 1998, Ontario manufacturing shipments rose 3.5% from a year ago.
- ◆ Furniture shipments are up 25.0%, and electrical products shipments have risen 12.3% so far this year.

### ONTARIO EXPORTS RISING IN 1998

- ◆ Over the first eight months of 1998, Ontario international merchandise exports increased 6.7% from a year ago.

### ONTARIO INFLATION REMAINS LOW IN 1998

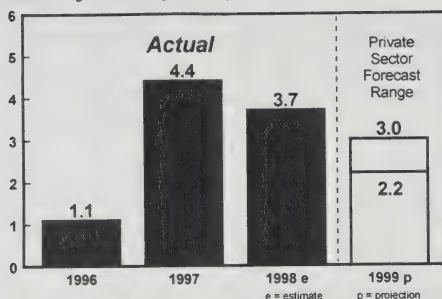
- ◆ Ontario's inflation rate as measured by the Consumer Price Index (CPI) was 0.8% in September (year-over-year).

# ONTARIO FINANCES

## SELECTED FISCAL INDICATORS

### Continued Strong Growth Projected

Real GDP growth, average annual per cent

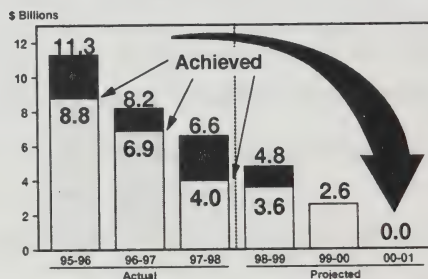


Sources: Statistics Canada, Ontario Ministry of Finance, Survey of Private-Sector Forecasts (October 1998)

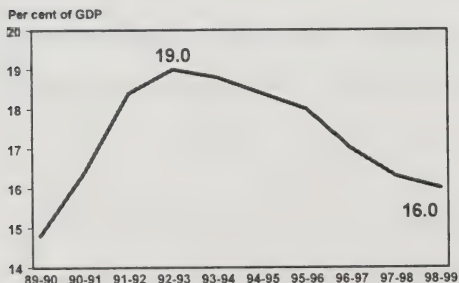
Consumer spending, business investment, housing and exports are all contributing to economic growth. Tax cuts, solid job creation and income gains are providing the basis for the sustained expansion. For 1998, the estimate for real GDP growth is at least 3.7 per cent. This is still a cautious and prudent estimate. On average, private-sector forecasters are expecting real economic growth of four per cent in Ontario this year.

In the fall of 1995 the Government set out its Balanced Budget Plan to eliminate the deficit by the year 2000-01. Ontario remains on track to meet the declining annual deficit targets outlined in the Plan. Based on actual results in the recently released Public Accounts, 1997-98 was the third year in a row that the deficit target has been overachieved. The 1998-99 Balanced Budget Plan deficit target of \$4.8 billion has been cut by \$1.2 billion and is forecast at \$3.6 billion, on track to overachieve for the fourth consecutive year.

### Ontario's Balanced Budget Plan on Track



### Spending as a Per Cent of GDP



Total spending as a per cent of Provincial GDP rose sharply in the early 1990s. From a peak of 19.0 per cent of GDP in 1992-93, Provincial spending as a share of the economy has been reduced to 16.0 per cent in 1998-99.

# ONTARIO FINANCES

## RECENT ECONOMIC DEVELOPMENTS

### KEY ECONOMIC INDICATORS

(% Change from previous period, unless indicated otherwise)

		Annual		Quarterly				
		1997	97:1	97:2	97:3	97:4	98:1	98:2
<b>Output (Seasonally Adjusted Annual Rate)</b>								
Real GDP	Ontario	4.4	7.0	6.3	7.0	3.0	5.8	0.8
Nominal GDP	Ontario	4.8	6.3	5.5	6.3	2.5	5.9	1.5
		Annual		Monthly 1998				
		1997	Apr	May	June	July	Aug	Sep
<b>Other Indicators (Seasonally Adjusted)</b>								
<b>Labour Markets</b>								
Labour Force (Change in 000s)	Ontario	76	11	9	(16)	1	(18)	64
Employment (Change in 000s)	Ontario	102	23	13	(14)	(3)	(18)	62
Private Sector	Ontario	130	(2)	2	(23)	5	(21)	64
Public Sector	Ontario	(28)	25	12	9	(8)	3	(2)
Unemployment Rate (%)	Ontario	8.5	7.2	7.1	7.1	7.2	7.2	7.1
<b>Household Sector</b>								
Retail Sales	Ontario	7.8	2.4	1.7	(2.3)	1.0	0.6	N/A
Urban Housing Starts (000s)	Ontario	50.0	52.4	49.1	46.1	38.9	48.5	47.7
New Home Sales*	Toronto	30.6	30.7	12.6	16.1	9.0	36.0	(8.4)
MLS Home Sales*	Ontario	1.9	(7.7)	4.2	11.1	4.2	4.8	N/A
<b>Manufacturing Shipments</b>								
Transportation Equipment	Ontario	12.7	(3.0)	0.2	(19.7)	(9.1)	37.4	N/A
<b>Consumer Price Index: All Items</b>	Ontario	1.9	0.6	1.1	0.7	0.9	0.6	0.8

Sources: Statistics Canada, Ontario Ministry of Finance, Canada Mortgage and Housing Corporation, Toronto Real Estate Board, Canadian Real Estate Association, Ward's Automotive.

\* % change from a year earlier



# **ONTARIO FINANCES**

## **FINANCIAL TABLES**



# REVENUE

(\$ Millions)	Actual 1997-98	1998-99		
		Budget Plan	Current Outlook	In-Year Change
<b>TAXATION REVENUE</b>				
Personal Income Tax	16,293	14,635	16,085	1,450
Retail Sales Tax	10,843	11,435	11,435	--
Corporations Tax	7,456	7,600	7,600	--
Employer Health Tax	2,851	2,780	2,780	--
Gasoline Tax	2,028	2,045	2,045	--
Fuel Tax	563	600	600	--
Tobacco Tax	425	470	470	--
Land Transfer Tax	565	580	580	--
Mining Profits Tax	40	50	50	--
Race Tracks Tax	4	6	6	--
Preferred Share Dividends Tax	60	55	55	--
Other Taxation	73	190	190	--
	<b>41,201</b>	<b>40,446</b>	<b>41,896</b>	<b>1,450</b>
<b>GOVERNMENT OF CANADA</b>				
Canada Health and Social Transfer	3,970	3,950	3,480	(470)
Bilingualism Development	49	40	40	--
Young Offenders Act	59	59	59	--
Vocational Rehabilitation	53	46	46	--
Canada-Ontario Infrastructure Works	116	92	92	--
Social Housing	387	353	353	--
Other	464	388	265	(123)
	<b>5,098</b>	<b>4,928</b>	<b>4,335</b>	<b>(593)</b>
<b>INCOME FROM GOVERNMENT ENTERPRISES</b>				
Ontario Lottery Corporation	714	840	840	--
Liquor Control Board of Ontario	745	760	760	--
Ontario Casino Corporation	771	915	915	--
Other	61	(77)	(77)	--
	<b>2,291</b>	<b>2,438</b>	<b>2,438</b>	<b>--</b>
<b>OTHER REVENUE</b>				
Vehicle/Driver Registration Fees	820	915	915	--
Other Fees and Licences	616	570	574	4
Liquor Licence Board of Ontario Revenues	506	510	510	--
Royalties	286	265	265	--
Sales and Rentals	582	480	470	(10)
Fines and Penalties	174	40	40	--
Local Services Realignment - Reimbursement of Expenditure	519	2,261	2,261	--
Miscellaneous	395	537	510	(27)
	<b>3,898</b>	<b>5,578</b>	<b>5,545</b>	<b>(33)</b>
<b>TOTAL REVENUE</b>	<b>52,488</b>	<b>53,390</b>	<b>54,214</b>	<b>824</b>

# OPERATING EXPENSE

MINISTRY	Actual 1997-98	1998-99		
		Budget Plan	Current Outlook	In-Year Change
Agriculture, Food and Rural Affairs	306	340	343	3
Farm Tax Rebate	158	--	--	--
Attorney General	680	733	735	2
Board of Internal Economy	113	121	121	--
Citizenship, Culture and Recreation	280	307	316	9
Community and Social Services	7,989	7,848	7,834	(14)
Consumer and Commercial Relations	92	133	136	3
Economic Development, Trade and Tourism	194	170	203	33
Education and Training	7,700	10,204	10,510	306
Teachers' Pension Plan	1,443	61	61	--
School Board Transition	224	117	161	44
Energy, Science and Technology	69	161	142	(19)
Environment	142	143	156	13
Executive Offices	14	19	19	--
Finance - Own Account	690	691	702	11
Public Debt Interest	8,729	9,214	9,161	(53)
Community Reinvestment Fund	169	677	677	--
Restructuring and Other Charges - Unallocated	--	--	400	400
Health	18,321	18,682	18,950	268
Health Care Restructuring	532	--	--	--
Intergovernmental Affairs	5	4	4	--
Labour	87	111	76	(35)
Management Board Secretariat	352	348	363	15
Public Service/OPSEU Pension Plan	(86)	(100)	(100)	--
Contingency Fund	--	830	680	(150)
OPS Employee Severance	(159)	--	--	--
Retroactive Pay Equity Payments	140	--	--	--
Special Circumstances Fund	--	77	77	--
Municipal Affairs and Housing	2,395	1,728	1,607	(121)
Municipal Capital and Operating Restructuring Fund	23	--	--	--
Municipal Restructuring Fund	71	--	--	--
Native Affairs Secretariat	10	9	10	1
Natural Resources	405	388	456	68
Northern Development and Mines	62	100	100	--
Office of Francophone Affairs	2	3	3	--
Office Responsible for Women's Issues	18	21	21	--
Solicitor General and Correctional Services	1,173	1,188	1,209	21
Transportation	709	499	500	1
Restructuring/Municipal Capital and Operating Restructuring Fund	50	--	--	--
TTC Five Year Capital Transfer	829	--	--	--
Year-end Savings	--	(200)	(200)	--
<b>TOTAL OPERATING EXPENSE</b>	<b>53,931</b>	<b>54,627</b>	<b>55,433</b>	<b>806</b>

# CAPITAL EXPENSE

MINISTRY	Actual 1997-98	1998-99		
		Budget Plan	Current Outlook	In-Year Change
Agriculture, Food and Rural Affairs	1	3	3	—
Attorney General	47	91	92	1
Citizenship, Culture and Recreation	7	5	5	—
Community and Social Services	51	20	23	3
Economic Development, Trade and Tourism	3	-	-	—
Education and Training	380	379	379	—
Energy, Science and Technology	-	45	45	—
Environment	98	51	51	—
Municipal Capital and Operating Restructuring Fund	-	29	29	—
Finance	7	1	1	—
Health	106	471	471	—
Management Board Secretariat	80	10	10	—
Municipal Affairs and Housing	152	91	58	(33)
Native Affairs Secretariat	11	12	12	—
Natural Resources	209	29	29	—
Northern Development and Mines	173	179	179	—
Solicitor General and Correctional Services	12	72	73	1
Transportation	1,186	849	884	35
<b>TOTAL CAPITAL EXPENSE</b>	<b>2,523</b>	<b>2,337</b>	<b>2,344</b>	<b>7</b>

# RESTRUCTURING AND OTHER CHARGES

(\$ Millions)	1998-99
1998-99 Budget Provision	194
Changes This Quarter	
Special Circumstances Fund: Reallocated to Programs	(77)
Increase in School Board Transition Costs	<u>44</u>
Net Changes	(33)
Increased Provision this Quarter	<u>400</u>
<b>Total Restructuring and Other Charges</b>	<b><u>561</u></b>
<b>Allocation:</b>	
School Board Transition Costs	161
Unallocated / Still to be Distributed	<u>400</u>
<b>TOTAL</b>	<b><u>561</u></b>

# STATEMENT OF FINANCIAL TRANSACTIONS

(\$ Millions)	1998-99			
	Actual 1997-98	Budget Plan	Current Outlook	In-Year Change
Deficit	3,966	4,224	3,563	(661)
Cash Timing Adjustments	197	3,804	3,637	(167)
Net Cash Requirements	4,163	8,028	7,200	(828)
Maturing Debt	5,792	5,820	6,035	215
Borrowing on Behalf of Agencies	(128)	286	130	(156)
Total Financing Requirements	9,827	14,134	13,365	(769)
Financed by:				
Decrease in Liquid Reserves	267	3,040	3,040	--
Other Sources	(375)	(66)	(66)	--
Increase in Short-term Borrowing	(1,340)	1,984	1,215	(769)
Long-term Borrowing*	11,275	9,176	9,176	--
<b>TOTAL FINANCING</b>	<b>9,827</b>	<b>14,134</b>	<b>13,365</b>	<b>(769)</b>

\* Including Ontario Savings Bonds

## 1998-99 FINANCING ACTIVITIES TO DATE

(\$ Millions)	Issued (as of September 30)	Remaining	% Completed
LONG TERM FINANCING	6,721	2,455	73%

- ◆ Long-term financing undertaken in this quarter totalled \$2,706 million as follows:

	(\$ Million)
Canadian Domestic Market	1,268
U.S. Market	1,333
Japanese Market	105
	<u>2,706</u>


- ◆ Maturing debt was revised upward to reflect redemptions of Ontario Savings Bonds in June and September 1998.
- ◆ Borrowing on behalf of agencies was revised downward to reflect lower loan requirements and principal repayments by government agencies.
- ◆ The Province's total direct debt is forecast to be \$109.8 billion at March 31, 1999, up from \$105.5 billion at March 31, 1998.



# ONTARIO FINANCES

1998-99 THIRD QUARTER

QUARTERLY UPDATE - DECEMBER 31, 1998

 Ontario  
Ministry of Finance

## Fiscal Summary (\$ Millions)

	Actual 1997-98	1998-99		
		Budget Plan	Current Outlook	In-year Change
Revenue	52,488	53,390	54,500	1,110
Expense				
Programs	43,607	45,219	46,190	971
Restructuring and Other Charges	1,595	194	561	367
Total Programs Expense	45,202	45,413	46,751	1,338
Capital	2,523	2,337	2,179	(158)
Public Debt Interest	8,729	9,214	9,132	(82)
Total Expense	56,454	56,964	58,062	1,098
Reserve	--	650	--	(650)
DEFICIT	3,966	4,224	3,562	(662)

## HIGHLIGHTS

### 1998-99 IN-YEAR PERFORMANCE

#### DEFICIT OUTLOOK AT \$3.6 BILLION

- ◆ The 1998-99 deficit is projected at \$3,562 million, down \$662 million from the 1998 Budget Plan and down \$1 million from the Second Quarter Ontario Finances.

#### REVENUE AT \$54.5 BILLION

- ◆ The revenue outlook, at \$54,500 million, is up \$1,110 million from the Budget Plan and up \$286 million from the Second Quarter Ontario Finances, mainly due to higher Retail Sales Tax and Employer Health Tax revenues, which reflects the strength of the Ontario economy.

#### EXPENSE AT \$58.1 BILLION

- ◆ Total expense, at \$58,062 million, is up \$1,098 million from the Budget Plan and up \$285 million from the Second Quarter Ontario Finances, largely due to additional expense of \$200 million for compensation for individuals who contracted Hepatitis C through the blood system prior to 1986 and after 1990; an additional \$100 million for the Hospital System Transition Fund; and a \$114 million increase in school board operating grants, partially offset by savings, including \$85 million in social assistance.

#### RESERVE APPLIED TO DEFICIT REDUCTION

- ◆ The \$650 million reserve, designed to protect the fiscal plan against unforeseen risks, such as adverse changes in the economic outlook, and its impact on revenues and public debt interest costs was not needed. Based on the improved revenue outlook for 1998-99, the reserve was applied to deficit reduction in the Second Quarter Ontario Finances.

For further information contact  
Communications Services (416) 325-0333  
Frost Building North, Queen's Park  
Toronto M7A 1Z1

Ce rapport est disponible en français.  
Pour de plus amples renseignements,  
communiquiez avec les Services des Communications,  
édifice Frost nord, Queen's Park, Toronto M7A 1Z1  
téléphone : (416) 325-0333.

This document is available on the Internet at: <http://www.gov.on.ca/fin/hmpage.html>

# ONTARIO FINANCES

## DETAILS OF IN-YEAR CHANGES

---

### FISCAL PERFORMANCE

#### REVENUE

The current revenue outlook of \$54,500 million is \$1,110 million above the \$53,390 million projected in the 1998 Budget Plan and \$286 million above the projection in the Second Quarter Ontario Finances. The increase in the revenue outlook is largely due to higher tax revenues, which reflects the strength of the Ontario economy. Major changes this quarter are:

- ◆ The Retail Sales Tax outlook is increased by \$90 million as a result of the strength of consumer spending in Ontario. The Employer Health Tax projection is increased by \$120 million due to the strength of employment and income growth in 1998. The gasoline tax outlook is \$20 million higher, and the tobacco tax forecast is increased by \$10 million.
- ◆ Local Services Realignment revenue is down by a net \$14 million as a result of reductions in spending, and corresponding reductions in reimbursements to the Province by municipalities, on Social Assistance and Non-Profit Housing, partially offset by an increase in funding (and reimbursements) for GO Transit. During implementation of the *Greater Toronto Services Board Act*, the Province is continuing to provide funding for GO Transit and recover the amount spent from municipalities.
- ◆ Revenue from the Government of Canada is increased by \$60 million under the Canada Study Grants program to support provincial funding for post-secondary students with permanent disabilities, and students with dependants.

#### OPERATING EXPENSE

- ◆ Net operating expense, at \$55,883 million, is up \$1,256 million from the Budget Plan. Major changes totalling \$450 million this quarter are as follows:
  - ◆ Ministry of Agriculture, Food and Rural Affairs: An additional \$40 million for the Whole Farm Income Assistance program, and \$3 million, fully offset from the Contingency Fund, for necessary Year 2000 computer system changes.
  - ◆ Ministry of the Attorney General: An additional \$5 million for the Family Responsibility Office for enhanced enforcement and customer service, and an additional \$4 million for the Office of the Public Guardian and Trustee to improve service levels to meet current demand and to review ongoing system requirements, both fully offset from the Contingency Fund.
  - ◆ Ministry of Citizenship, Culture and Recreation: An additional \$3 million, fully offset from the Contingency Fund, for necessary Year 2000 computer system changes.
  - ◆ Ministry of Community and Social Services: An additional \$19 million to reinstate Provincial funding for domiciliary hostels as a result of recent Local Services Realignment decisions; an increase of \$9 million, transferred from the Ministry of Municipal Affairs and Housing, for municipal consolidation of social service delivery; an additional \$1 million, fully offset from the Contingency Fund, for necessary Year 2000 computer system changes; savings of \$85 million in social assistance spending due to lower-than-forecast caseloads; and savings of \$2 million as a result of lower-than-anticipated workload increases related to the new Federal Child Support Guidelines.
  - ◆ Ministry of Consumer and Commercial Relations: An additional \$1 million, fully offset from the Contingency Fund, for necessary Year 2000 computer system changes.

# ONTARIO FINANCES

## DETAILS OF IN-YEAR CHANGES

---

### OPERATING EXPENSE CONT'D

- ♦ Ministry of Education and Training: An additional \$114 million for School Board Operating Grants for increased costs, including additional funding for secondary school credits, special education, and teachers' retirement gratuities; an increase of \$43 million over the \$17 million included in the 1998 Budget, for a total of \$60 million, for Canada Study Grants for post-secondary students with permanent disabilities and students with dependants, fully offset by revenue from the federal government; and an additional \$9 million, fully offset from the Contingency Fund, for necessary Year 2000 computer system changes.
- ♦ Ministry of Finance: An additional \$45 million, partially offset by \$5 million from the Contingency Fund, for the Ontario Child Care Supplement for Working Families; an additional \$7 million, fully offset from the Contingency Fund, transferred to the Ontario Property Assessment Corporation for necessary Year 2000 computer system changes; and an additional \$2 million, fully offset from the Contingency Fund, for costs associated with implementation of 1998 Budget initiatives, including the Tax Integrity Program.
- ♦ Ministry of Health: An additional \$200 million to compensate individuals who contracted Hepatitis C through the blood system prior to 1986 and after 1990; an additional \$100 million for the Hospital System Transition Fund; an additional \$75 million for the Ontario Drug Programs due to increased utilization, offset from underspending within the ministry; and an additional \$6 million, fully offset from the Contingency Fund, for necessary Year 2000 computer system changes.
- ♦ Ministry of Labour: Savings of \$1 million in the Employee Wage Protection Program, and \$1 million in the Older Worker Adjustment Program, as a result of the planned phasing out of both programs.
- ♦ Management Board Secretariat: An increase of \$30 million for payments-in-lieu of municipal taxes to address immediate cash flow needs and provide municipalities with a more stable and predictable environment for 1999 budget planning; an additional \$5 million, fully offset from the Contingency Fund, for necessary Year 2000 computer system changes; and \$18 million in savings in a number of areas, including the Employee Transition Support Fund, Gaming Secretariat, and the Human Resource Management Information System.
- ♦ Ministry of Municipal Affairs and Housing: An additional expense of \$21 million to reflect the interest concession on a \$100 million interest-free loan to the City of Toronto; an additional \$2 million, fully offset from the Contingency Fund, for necessary Year 2000 computer system changes; savings of \$21 million in Non-Profit Housing operations; and a reduction of \$9 million due to the transfer of funding to the Ministry of Community and Social Services for municipal consolidation of social service delivery.
- ♦ Ministry of Natural Resources: An additional \$3 million, fully offset from the Contingency Fund, for necessary Year 2000 computer system changes; savings of \$3 million on CL-415 water bomber leases; and savings of \$1 million due to lower forest fire-fighting costs.
- ♦ Ministry of the Solicitor General and Correctional Services: An additional \$11 million, fully offset from the Contingency Fund, for necessary Year 2000 computer system changes, and savings of \$5 million due to a slower-than-anticipated process of evaluating municipal proposals and entering into Community Policing Partnership agreements for police services across Ontario.
- ♦ Ministry of Transportation: An increase of \$14 million in operating funding for GO Transit as a result of continued provincial funding during implementation of the *Greater Toronto Services Board Act*, fully recovered from municipalities; an additional \$2 million, fully offset from the Contingency Fund, for necessary Year 2000 computer system changes; and an additional \$1 million, fully offset from the Contingency Fund for the Motor Vehicle Impoundment Program.



# ONTARIO FINANCES

## DETAILS OF IN-YEAR CHANGES

---

### PUBLIC DEBT INTEREST

- ◆ Public Debt Interest is projected at \$9,132 million, down \$82 million from the Budget forecast, and down \$29 million from the Second Quarter Ontario Finances. Interest cost savings are the result of lower-than-budgeted interest rates.

### CAPITAL EXPENSE

- ◆ Capital expense at \$2,179 million is down \$158 million from the Budget Plan and down \$165 million from the Second Quarter Ontario Finances. Changes this quarter include:
  - ◆ Ministry of the Attorney General: Savings of \$9 million in courts capital projects.
  - ◆ Ministry of Health: Savings of \$131 million due to slower than originally projected implementation of Health Services Restructuring Commission directions.
  - ◆ Ministry of the Solicitor General and Correctional Services: Savings of \$37 million due to slower-than-anticipated construction in Adult Infrastructure Renewal Projects.
  - ◆ Ministry of Transportation: An increase of \$12 million for GO Transit capital requirements as a result of continued provincial funding during implementation of the *Greater Toronto Services Board Act*, fully recovered from municipalities.

# ONTARIO FINANCES

## ECONOMIC PERFORMANCE

---

### **EMPLOYMENT SURGES IN FOURTH QUARTER OF 1998**

- ◆ Ontario employment rose sharply by 82,000 in the fourth calendar quarter of 1998 (October - December), one of the strongest quarters of job creation in Ontario's history.

### **RECORD JOB GROWTH IN 1998**

- ◆ For the year 1998, Ontario employment increased by a record 200,000 net new jobs, almost double the 102,000 job growth in 1997.
- ◆ For 1998, Ontario's unemployment rate was 7.2%, down substantially from the 8.5% rate in 1997.

### **STRONG JOB GROWTH CONTINUES IN JANUARY 1999**

- ◆ In January 1999, employment in Ontario rose 37,200 while the unemployment rate fell to 6.6%, compared to 7.9% in the same month a year earlier.

### **ECONOMY EXPANDS AT MODERATE PACE IN THE THIRD QUARTER OF 1998**

- ◆ In the third calendar quarter of 1998 (July-September), Ontario real Gross Domestic Product (GDP) rose 1.1% at annual rates, as labour disputes in several sectors constrained output.
- ◆ Ontario real GDP rose 3.9% in the first three quarters of 1998, compared to the same period a year ago.

### **STRONG CONSUMER SPENDING GROWTH IN 1998**

- ◆ Over the first eleven months of 1998, Ontario retail sales are up 8.4% from a year earlier.
- ◆ Unit auto sales in Ontario rose 3.8% in 1998.

### **MANUFACTURING SHIPMENTS GROWING**

- ◆ Ontario manufacturing shipments (January to November 1998) rose 4.5%, compared to the same period a year earlier.

### **ONTARIO EXPORTS RISING IN 1998**

- ◆ From January to November 1998, Ontario international merchandise exports increased 10.7% compared to the same period a year earlier.

### **ONTARIO INFLATION REMAINS LOW IN 1998**

- ◆ Ontario's inflation rate as measured by the Consumer Price Index (CPI) was 0.9% in 1998.

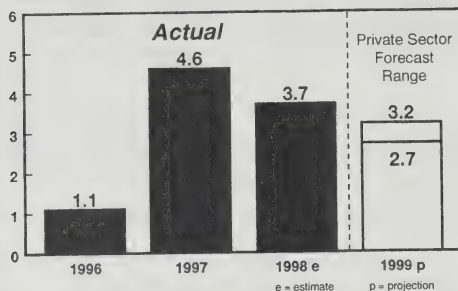


# ONTARIO FINANCES

## SELECTED FISCAL INDICATORS

### Continued Strong Growth Projected

Real GDP growth, average annual per cent

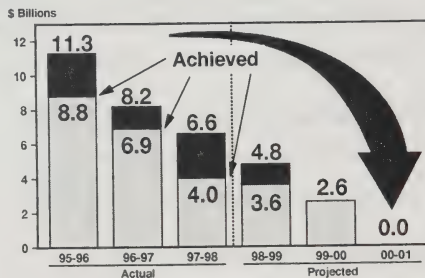


Sources: Statistics Canada, Ontario Ministry of Finance, Survey of Private-Sector Forecasts (January 1999)

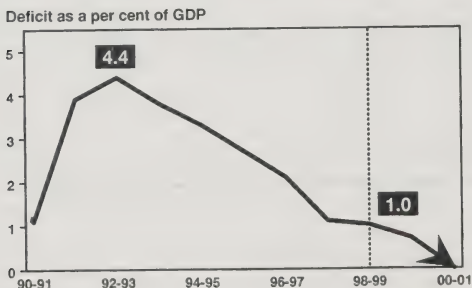
The Ontario economy has continued to grow at a healthy pace. Consumer spending, business investment, housing and exports are all contributing to economic growth. Tax cuts, solid job creation and income gains are providing the basis for a sustained expansion. For 1998, the estimate for real GDP growth is 3.7 per cent. Private-sector forecasters expect the Ontario economy to grow faster than the Canadian economy as a whole or any of the G-7 economies over the next three years.

In the fall of 1995 the Government set out its Balanced Budget Plan to eliminate the deficit by the year 2000-01. Ontario remains on track to meet the declining annual deficit targets outlined in the Plan. Based on actual results, 1997-98 was the third year in a row that the deficit reduction target has been overachieved. The 1998-99 Balanced Budget Plan deficit target of \$4.8 billion has been cut by \$1.2 billion. With a deficit forecast at \$3.6 billion, Ontario is on track to overachieve for the fourth consecutive year.

### Ontario's Balanced Budget Plan on Track



### Deficit Falls to 1.0% of GDP in 1998-99



A further indicator of fiscal improvement in Ontario is the declining deficit as a share of the economy. Ontario's deficit will fall to 1.0 per cent of provincial GDP in 1998-99. In the early 1990s, Ontario's deficit rose sharply, reaching a peak of 4.4 per cent of provincial GDP in 1992-93. Under the Balanced Budget Plan, the deficit will be reduced to 1.0 per cent this year, and fall to zero in 2000-01 when the deficit is eliminated.

# ONTARIO FINANCES

## RECENT ECONOMIC DEVELOPMENTS

### KEY ECONOMIC INDICATORS

(% Change from previous period, unless indicated otherwise)

		Annual		Quarterly				
		1997	97:2	97:3	97:4	98:1	98:2	98:3
<b>Output (Seasonally Adjusted Annual Rate)</b>								
Real GDP	Ontario	4.6	6.7	6.8	2.0	5.7	1.3	1.1
Nominal GDP	Ontario	5.3	5.8	6.3	1.9	5.1	1.4	(0.9)

		Annual	Annual	Monthly 1998				
		1997	1998	Sept	Oct	Nov	Dec	Jan
<b>Other Indicators (Seasonally Adjusted)</b>								
<b>Labour Markets</b>								
Labour Force (Change in 000s)	Ontario	76	135	60	24	11	20	19
Employment (Change in 000s)	Ontario	102	200	58	34	13	20	37
Private Sector	Ontario	125	154	53	48	38	13	48
Public Sector	Ontario	(23)	46	5	(14)	(25)	7	(11)
Unemployment Rate (%)	Ontario	8.5	7.2	7.1	7.0	6.9	6.9	6.6
<b>Household Sector</b>								
Retail Sales	Ontario	7.8	N/A	1.0	(1.4)	1.2	N/A	N/A
Urban Housing Starts (000s)	Ontario	50.0	50.1	48.0	53.5	49.4	54.5	54.1
New Home Sales*	Toronto	30.6	4.6	(8.4)	1.1	(5.3)	18.7	N/A
MLS Home Sales*	Ontario	1.9	(1.5)	3.8	(6.5)	(1.5)	5.3	N/A
<b>Manufacturing Shipments</b>								
Transportation Equipment	Ontario	8.1	N/A	0.0	3.2	1.6	N/A	N/A
<b>Consumer Price Index: All Items</b>	Ontario	1.9	0.9	0.8	1.0	1.2	0.9	N/A

Sources: Statistics Canada, Ontario Ministry of Finance, Canada Mortgage and Housing Corporation, Toronto Real Estate Board, Canadian Real Estate Association, Ward's Automotive.

\* % change from a year earlier



# **ONTARIO FINANCES**

## **FINANCIAL TABLES**

# REVENUE

(\$ Millions)	Actual 1997-98	1998-99		
		Budget Plan	Current Outlook	In-Year Change
<b>TAXATION REVENUE</b>				
Personal Income Tax	16,293	14,635	16,085	1,450
Retail Sales Tax	10,843	11,435	11,525	90
Corporations Tax	7,456	7,600	7,600	--
Employer Health Tax	2,851	2,780	2,900	120
Gasoline Tax	2,028	2,045	2,065	20
Fuel Tax	563	600	600	--
Tobacco Tax	425	470	480	10
Land Transfer Tax	565	580	580	--
Mining Profits Tax	40	50	50	--
Race Tracks Tax	4	6	6	--
Preferred Share Dividends Tax	60	55	55	--
Other Taxation	73	190	190	--
	<b>41,201</b>	<b>40,446</b>	<b>42,136</b>	<b>1,690</b>
<b>GOVERNMENT OF CANADA</b>				
Canada Health and Social Transfer	3,970	3,950	3,480	(470)
Bilingualism Development	49	40	40	--
Young Offenders Act	59	59	59	--
Vocational Rehabilitation	53	46	46	--
Canada-Ontario Infrastructure Works	116	92	92	--
Social Housing	387	353	353	--
Other	464	388	325	(63)
	<b>5,098</b>	<b>4,928</b>	<b>4,395</b>	<b>(533)</b>
<b>INCOME FROM GOVERNMENT ENTERPRISES</b>				
Ontario Lottery Corporation	714	840	840	--
Liquor Control Board of Ontario	745	760	760	--
Ontario Casino Corporation	771	915	915	--
Other	61	(77)	(77)	--
	<b>2,291</b>	<b>2,438</b>	<b>2,438</b>	<b>--</b>
<b>OTHER REVENUE</b>				
Vehicle/Driver Registration Fees	820	915	915	--
Other Fees and Licences	616	570	574	4
Liquor Licence Board of Ontario Revenues	506	510	510	--
Royalties	286	265	265	--
Sales and Rentals	582	480	470	(10)
Fines and Penalties	174	40	40	--
Local Services Realignment -				
Reimbursement of Expenditure	519	2,261	2,247	(14)
Miscellaneous	395	537	510	(27)
	<b>3,898</b>	<b>5,578</b>	<b>5,531</b>	<b>(47)</b>
<b>TOTAL REVENUE</b>	<b>52,488</b>	<b>53,390</b>	<b>54,500</b>	<b>1,110</b>



# OPERATING EXPENSE

(\$ Millions)		1998-99		
	Actual 1997-98	Budget Plan	Current Outlook	In-Year Change
MINISTRY				
Agriculture, Food and Rural Affairs	306	340	386	46
Farm Tax Rebate	158	—	—	—
Attorney General	680	733	744	11
Board of Internal Economy	113	121	121	—
Citizenship, Culture and Recreation	280	307	319	12
Community and Social Services	7,989	7,848	7,776	(72)
Consumer and Commercial Relations	92	133	137	4
Economic Development, Trade and Tourism	194	170	203	33
Education and Training	7,700	10,204	10,676	472
Teachers' Pension Plan	1,443	61	61	—
School Board Transition	224	117	161	44
Energy, Science and Technology	69	161	142	(19)
Environment	142	143	156	13
Executive Offices	14	19	19	—
Finance - Own Account	690	691	756	65
Public Debt Interest	8,729	9,214	9,132	(82)
Community Reinvestment Fund	169	677	677	—
Restructuring and Other Charges - Unallocated	—	—	400	400
Health	18,208	18,682	18,731	49
Health Care Restructuring	532	—	—	—
Hepatitis C Compensation	113	—	200	200
Canadian Blood Services Start-up	—	—	220	220
Hospital System Transition Fund	—	—	100	100
Intergovernmental Affairs	5	4	4	—
Labour	87	111	74	(37)
Management Board Secretariat	352	348	380	32
Public Service/OPSEU Pension Plan	(86)	(100)	(100)	—
Contingency Fund	—	830	610	(220)
OPS Employee Severance	(159)	—	—	—
Retroactive Pay Equity Payments	140	—	—	—
Special Circumstances Fund	—	77	77	—
Municipal Affairs and Housing	2,395	1,728	1,600	(128)
Municipal Capital and Operating Restructuring Fund	23	—	—	—
Municipal Restructuring Fund	71	—	—	—
Native Affairs Secretariat	10	9	10	1
Natural Resources	405	388	455	67
Northern Development and Mines	62	100	100	—
Office of Francophone Affairs	2	3	3	—
Office Responsible for Women's Issues	18	21	21	—
Solicitor General and Correctional Services	1,173	1,188	1,215	27
Transportation	709	499	517	18
Restructuring	50	—	—	—
TTC Five Year Capital Transfer	829	—	—	—
Year-end Savings	—	(200)	(200)	—
TOTAL OPERATING EXPENSE	53,931	54,627	55,883	1,256

# CAPITAL EXPENSE

(\$ Millions)		1998-99		
MINISTRY	Actual 1997-98	Budget Plan	Current Outlook	In-Year Change
Agriculture, Food and Rural Affairs	1	3	3	—
Attorney General	47	91	83	(8)
Citizenship, Culture and Recreation	7	5	5	—
Community and Social Services	51	20	23	3
Economic Development, Trade and Tourism	3	—	—	—
Education and Training	380	379	379	—
Energy, Science and Technology	—	45	45	—
Environment	98	51	51	—
Municipal Capital and Operating Restructuring Fund	—	29	29	—
Finance	7	1	1	—
Health	106	471	340	(131)
Management Board Secretariat	80	10	10	—
Municipal Affairs and Housing	152	91	58	(33)
Native Affairs Secretariat	11	12	12	—
Natural Resources	209	29	29	—
Northern Development and Mines	173	179	179	—
Solicitor General and Correctional Services	12	72	36	(36)
Transportation	1,186	849	896	47
TOTAL CAPITAL EXPENSE	2,523	2,337	2,179	(158)

## RESTRUCTURING AND OTHER CHARGES

---

(\$ Millions)	1998-99
1998-99 Budget Provision	194
Changes in Second Quarter	
Special Circumstances Fund: Reallocated to Programs	(77)
Increase in School Board Transition Costs	<u>44</u>
Net Changes	(33)
Increased Provision in Second Quarter	<u>400</u>
<b>Total Restructuring and Other Charges</b>	<b><u>561</u></b>
<b>Allocation:</b>	
School Board Transition Costs	161
Unallocated / Still to be Distributed	<u>400</u>
<b>TOTAL</b>	<b><u>561</u></b>

# STATEMENT OF FINANCIAL TRANSACTIONS

(\$ Millions)	Actual 1997-98	1998-99		
		Budget Plan	Current Outlook	In-Year Change
Deficit	3,966	4,224	3,562	(662)
Cash Timing Adjustments	197	3,804	3,537	(267)
Net Cash Requirements	4,163	8,028	7,099	(929)
Maturing Debt	5,792	5,820	6,380	560
Borrowing on Behalf of Agencies	(128)	286	130	(156)
Total Financing Requirements	9,827	14,134	13,609	(525)
Financed by:				
Decrease in Liquid Reserves	267	3,040	3,040	—
Other Sources	(375)	(66)	—	66
Increase in Short-term Borrowing	(1,340)	1,984	1,393	(591)
Long-term Borrowing*	11,275	9,176	9,176	—
<b>TOTAL FINANCING</b>	<b>9,827</b>	<b>14,134</b>	<b>13,609</b>	<b>(525)</b>

\* Including Ontario Savings Bonds

## 1998-99 FINANCING ACTIVITIES TO DATE

(\$ Millions)	Issued		
	(as of December 31)	Remaining	% Completed
LONG TERM FINANCING	8,212	964	89.5%

◆ Long-term financing undertaken in this quarter totalled \$1,491 million as follows:

	(\$ Million)
Canadian Domestic Market	898
U.S. Market	386
New Zealand Market	207
	<b>1,491</b>

- ◆ Maturing debt was revised upward to reflect redemptions of Ontario Savings Bonds.
- ◆ Borrowing on behalf of agencies was revised downward from the Budget forecast to reflect lower loan requirements and principal repayments by government agencies.
- ◆ The Province's total direct debt is forecast to be \$109.7 billion at March 31, 1999, up from \$105.5 billion at March 31, 1998.

# ONTARIO FINANCES

1999-00 FIRST QUARTER

QUARTERLY UPDATE - JUNE 30, 1999



Government of Ontario  
Ministère des Finances

Ministry of Finance

## Fiscal Summary (\$ Millions)

	Interim 1998-99	1999-00		
		Budget Plan	Current Outlook	In-Year Change
<b>Revenue</b>	54,859	58,150	58,151	1
<b>Expenditure</b>				
Programs	46,855	47,025	47,024	(1)
Restructuring and Other Charges	220	--	--	--
Total Program Expenditure	47,075	47,025	47,024	(1)
Capital	1,873	2,883	2,885	2
Public Debt Interest				
Provincial	9,072	9,298	9,298	--
Ontario Hydro Successor Companies*	--	520	520	--
Total Expenditure	58,020	59,726	59,727	1
Reserve	--	500	500	--
<b>DEFICIT</b>	<b>3,161</b>	<b>2,076</b>	<b>2,076</b>	<b>--</b>

\* Debt service costs in 1999-00 related to the Province's equity ownership of Ontario Hydro successor companies, are offset by increased income from Government Enterprises revenue, which reflects the net income from these corporations.

## HIGHLIGHTS

### 1999-00 IN-YEAR PERFORMANCE

#### DEFICIT OUTLOOK AT \$2.1 BILLION

- ♦ The 1999-00 deficit remains on track with the Budget Plan. As of June 30 1999, the deficit is projected at \$2,076 million, unchanged from the Budget Plan.

#### REVENUE AT \$58.2 BILLION

- ♦ The revenue outlook, at \$58,151 million, is up \$1 million from the Budget Plan.

#### EXPENDITURE AT \$59.7 BILLION

- ♦ Total expenditure, at \$59,727 million, is up \$1 million from the Budget Plan.

#### RESERVE AT \$500 MILLION

- ♦ The reserve, designed to protect the fiscal plan against unexpected and adverse changes in the economic and fiscal outlook, is maintained at \$500 million. If this reserve is not needed, it will be applied to deficit reduction.

Note: In June 1999, the Government announced the creation of a number of new ministries. Allocations for these ministries will be provided following ministry restructuring, which is currently underway.

For further information contact  
Communications Services (416) 325-0333  
Frost Building North, Queen's Park  
Toronto M7A 1Z1

Ce rapport est disponible en français.  
Pour de plus amples renseignements,  
communiquiez avec les Services des Communications,  
édifice Frost nord, Queen's Park, Toronto M7A 1Z1  
téléphone : (416) 325-0333.

This document is available on the Internet at: <http://www.gov.on.ca/fin/hmpage.html>



## FISCAL PERFORMANCE

### REVENUE

- ◆ Revenue at \$58,151 million is up \$1 million from the Budget Plan, due to an increase of \$1 million in non-tax revenue for policing services provided by the OPP to the Townships of Moore, North Perth, and Point Edward.

### OPERATING EXPENDITURE

- ◆ Net operating expenditure, at \$56,842 million, is down \$1 million from the Budget Plan. Major changes this quarter are as follows:
  - ◆ Ministry of Community and Social Services: An additional \$19 million for necessary Year 2000 computer system changes, fully offset from the Contingency Fund.
  - ◆ Ministry of Finance: An additional \$4 million, fully offset from the Contingency Fund, to provide funding to meet the Province's commitment to assist municipalities with the requirements associated with the *Fairness for Property Taxpayers Act*.
  - ◆ Ministry of Municipal Affairs and Housing: An additional \$40 million, fully offset from the Contingency Fund, for funding to meet the Province's commitment to assist municipalities with the requirements associated with the *Fairness for Property Taxpayers Act*.
  - ◆ Ministry of the Solicitor General and Correctional Services: An additional \$1 million for OPP policing services contracts with the Townships of Moore, North Perth, and Point Edward.
  - ◆ Ministry of Transportation: An additional \$1 million, fully offset from the Contingency Fund, to allow the ministry to deal with contractual obligations arising from the sale of Highway 407.

### PUBLIC DEBT INTEREST

- ◆ Public Debt Interest, including \$9,298 million Provincial and \$520 million related to the Province's equity ownership of Ontario Hydro successor companies, is unchanged from the Budget Plan.

### CAPITAL EXPENDITURE

- ◆ Capital expenditure at \$2,885 million is up \$2 million from the Budget Plan. The major change this quarter was:
  - ◆ Ministry of Transportation: An additional \$2 million to address unique local transportation requirements, offset from the Operating Contingency Fund.

## **STRONG JOB GROWTH CONTINUES IN 1999**

- ◆ During the first half of 1999, Ontario employment is up 185,000 following a record gain of 200,000 net new jobs in 1998.
- ◆ In June 1999, Ontario's unemployment rate was 6.3%, down substantially from 7.1% a year earlier.

## **ECONOMY EXPANDS AT ROBUST PACE IN THE FIRST QUARTER OF 1999**

- ◆ In the first calendar quarter of 1999 (January-March), Ontario real Gross Domestic Product (GDP) rose 5.4% at annual rates, after surging 8.6% in the fourth quarter of 1998.

## **STRONG CONSUMER SPENDING GROWTH IN 1999**

- ◆ Over the first five months of 1999, Ontario retail sales are up 5.7% from a year ago.
- ◆ Over the first five months of 1999, unit auto sales in Ontario jumped 9.1% from a year ago.

## **HOUSING MARKET REMAINS STRONG**

- ◆ Over the first half of 1999, housing starts in Ontario rose 24.1% from a year ago.
- ◆ Ontario home resales rose 8.0%, over the first five months of 1999, compared to a year ago.
- ◆ Over the first six months of 1999, Toronto new home sales increased 24.6% from a year ago.

## **MANUFACTURING SHIPMENTS GROWING**

- ◆ Over the first five months of 1999, Ontario manufacturing shipments rose 9.2% from a year ago.

## **AUTO PRODUCTION SOARS IN 1999**

- ◆ Ontario auto production is up 19.9% over the first half of 1999, on track for another record production year.

## **ONTARIO EXPORTS RISING IN 1999**

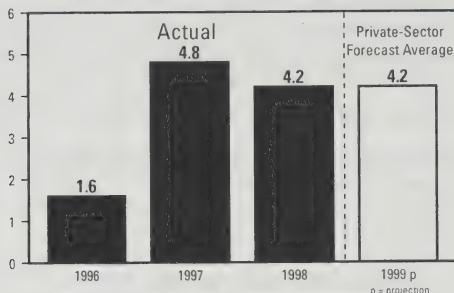
- ◆ Over the first five months of 1999, Ontario international merchandise exports increased 15.1% from a year ago.

## **ONTARIO INFLATION REMAINS LOW IN 1999**

- ◆ Ontario's inflation rate as measured by the Consumer Price Index (CPI) averaged 1.4% over the first half of 1999.

## Strong Economic Growth Continues

Real GDP growth, average annual per cent

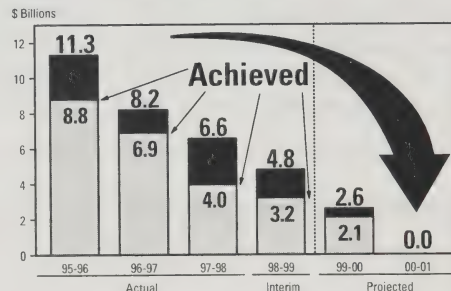


Sources: Statistics Canada, Ontario Ministry of Finance, Survey of Private-Sector Forecasts (July 1999)

The Ontario economy has continued to grow at a healthy pace. Consumer spending, business investment, housing and exports are all contributing to economic growth. Tax cuts, solid job creation and income gains are providing the basis for a sustained expansion. Ontario is expected to grow faster than the Canadian economy or any of the G-7 economies over the next two years. Private-sector economists are, on average, forecasting real growth of 4.2 per cent in 1999.

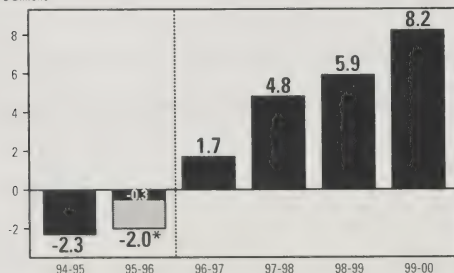
In the fall of 1995 the Government set out its Balanced Budget Plan to eliminate the deficit by the year 2000-01. Ontario remains on track to meet the declining annual deficit targets outlined in the Plan. At \$3.2 billion, the interim 1998-99 deficit is more than \$1.0 billion below the 1998 Budget target of \$4.2 billion, and \$1.6 billion below the original 1998-99 Balanced Budget Plan deficit target of \$4.8 billion. Due to improved fiscal performance, the 1999-00 deficit target of \$2.6 billion was cut by \$0.5 billion in the 1999 Budget and set at \$2.1 billion.

## Ontario's Balanced Budget Plan on Track Medium Term Deficit Targets



## Growing Operating Surplus

\$ Billions



\* Potential operating deficit of \$2.0 billion when the Government assumed office in June 1995

A further indicator of fiscal improvement in Ontario is a growing Operating Surplus, which represents the difference between government revenue and total spending on programs and capital, not including public debt interest costs. With a growing operating surplus, the Province is continuing to reduce borrowing needed to pay interest costs on the public debt.

## KEY ECONOMIC INDICATORS

(% Change from previous period, unless indicated otherwise)

		Annual		Quarterly				
		1998	97:4	98:1	98:2	98:3	98:4	99:1
<b>Output (Seasonally Adjusted Annual Rate)</b>								
Real GDP	Ontario	4.2	2.9	6.0	0.9	1.4	8.6	5.4
Nominal GDP	Ontario	3.4	2.1	5.8	1.1	(2.2)	8.5	8.5

		Annual	Monthly 1999					
		1998	Jan	Feb	Mar	Apr	May	June
<b>Other Indicators (Seasonally Adjusted)</b>								
<b>Labour Markets</b>								
Labour Force (Change in 000s)	Ontario	135	19	22	(11)	46	12	(75)
Employment (Change in 000s)	Ontario	200	37	23	(1)	(6)	23	(29)
Private Sector	Ontario	154	48	20	(13)	2	27	(38)
Public Sector	Ontario	46	(11)	2	12	(8)	(4)	9
Unemployment Rate (%)	Ontario	7.2	6.6	6.6	6.4	7.2	7.0	6.3
<b>Household Sector</b>								
Retail Sales	Ontario	6.9	2.4	0.2	1.2	0.2	0.8	N/A
Urban Housing Starts (000s)	Ontario	50.0	55.5	60.4	62.6	62.0	66.3	67.9
New Home Sales*	Toronto	4.6	20.5	30.6	16.0	26.2	15.5	41.8
MLS Home Sales*	Ontario	(1.5)	(13.2)	2.5	15.8	14.1	9.3	N/A
<b>Manufacturing Shipments</b>	Ontario	5.0	(1.8)	0.9	1.3	(1.1)	0.7	N/A
Transportation Equipment	Ontario	6.8	(2.9)	0.1	1.1	(3.6)	2.0	N/A
<b>Consumer Price Index: All Items</b>	Ontario	0.9	0.8	0.6	1.1	1.9	1.8	1.9

Sources: Statistics Canada, Ontario Ministry of Finance, Canada Mortgage and Housing Corporation, Toronto Real Estate Board, Canadian Real Estate Association, Ward's Automotive.

\* % change from a year earlier





**ONTARIO FINANCES**  
**FINANCIAL TABLES**

# REVENUE

(\$ Millions)	Interim 1998-99	1999-00		
		Budget Plan	Current Outlook	In-Year Change
<b>TAXATION REVENUE</b>				
Personal Income Tax	16,750	15,670	15,670	--
Retail Sales Tax	11,525	12,110	12,110	--
Corporations Tax	7,435	7,820	7,820	--
Employer Health Tax	2,880	2,990	2,990	--
Gasoline Tax	2,077	2,155	2,155	--
Fuel Tax	590	595	595	--
Tobacco Tax	470	470	470	--
Land Transfer Tax	497	480	480	--
Mining Profits Tax	27	30	30	--
Race Tracks Tax	5	5	5	--
Preferred Share Dividends Tax	33	35	35	--
Other Taxation	250	225	225	--
	<b>42,539</b>	<b>42,585</b>	<b>42,585</b>	<b>--</b>
<b>GOVERNMENT OF CANADA</b>				
Canada Health and Social Transfer	3,579	3,727	3,727	--
Increase in CHST Allocation	--	190	190	--
CHST Health Supplement	--	755	755	--
Bilingualism Development	55	55	55	--
Young Offenders Act	58	58	58	--
Employability Assistance for People with Disabilities	65	65	65	--
Canada-Ontario Infrastructure Works	80	29	29	--
Social Housing	353	370	370	--
Other	318	307	307	--
	<b>4,508</b>	<b>5,556</b>	<b>5,556</b>	<b>--</b>
<b>INCOME FROM GOVERNMENT ENTERPRISES</b>				
Ontario Lottery Corporation	676	930	930	--
Liquor Control Board of Ontario	785	830	830	--
Ontario Casino Corporation	997	995	995	--
Ontario Hydro Successor Companies	--	527	527	--
Other	(50)	(35)	(35)	--
	<b>2,408</b>	<b>3,247</b>	<b>3,247</b>	<b>--</b>
<b>OTHER REVENUE</b>				
Vehicle and Driver Registration Fees	850	880	880	--
Other Fees and Licences	600	625	625	--
Liquor Licence Board of Ontario Revenues	510	515	515	--
Royalties	297	225	225	--
Sales and Rentals	636	2,230	2,230	--
Fines and Penalties	59	57	57	--
Local Services Realignment - Reimbursement of Expenditure	2,104	1,794	1,794	--
Miscellaneous	348	436	437	1
	<b>5,404</b>	<b>6,762</b>	<b>6,763</b>	<b>1</b>
<b>TOTAL REVENUE</b>	<b>54,859</b>	<b>58,150</b>	<b>58,151</b>	<b>1</b>

# OPERATING EXPENDITURE

MINISTRY	Interim 1998-99	1999-00		
		Budget Plan	Current Outlook	In-Year Change
Agriculture, Food and Rural Affairs	317	365	365	--
Attorney General	721	816	816	--
Board of Internal Economy	118	121	121	--
Citizenship, Culture and Recreation	344	393	393	--
Community and Social Services	7,707	7,677	7,696	19
Consumer and Commercial Relations	134	126	126	--
Economic Development, Trade and Tourism	157	175	175	--
Education and Training	10,997	11,197	11,197	--
Teachers' Pension Plan	67	(85)	(85)	--
Energy, Science and Technology	334	146	146	--
Environment	160	165	165	--
Executive Offices	18	20	20	--
Finance - Own Account	833	731	735	4
Public Debt Interest				
Provincial	9,072	9,298	9,298	--
Ontario Hydro Successor Companies	--	520	520	--
Community Reinvestment Fund	678	543	543	--
Health	18,925	20,173	20,173	--
Health Care Restructuring	193	--	--	--
Major One-time Health Care Costs	733	--	--	--
Intergovernmental Affairs	4	4	4	--
Labour	107	95	95	--
Management Board Secretariat	375	432	432	--
Public Service/OPSEU Pension Plan	(208)	(223)	(223)	--
Contingency Fund	--	694	628	(66)
Special Circumstances Fund	180	--	--	--
Municipal Affairs and Housing	1,600	1,546	1,586	40
Native Affairs Secretariat	10	12	12	--
Natural Resources	521	364	364	--
Northern Development and Mines	82	127	127	--
Office of Francophone Affairs	3	3	3	--
Office Responsible for Women's Issues	21	26	26	--
Solicitor General and Correctional Services	1,290	1,243	1,244	1
Transportation	627	539	540	1
Restructuring	(17)	--	--	--
Ottawa-Carleton Regional Transit Commission Transit Bus Subsidy Agreement	44	--	--	--
Year-End Savings	--	(400)	(400)	--
<b>TOTAL OPERATING EXPENDITURE</b>	<b>56,147</b>	<b>56,843</b>	<b>56,842</b>	<b>(1)</b>

Note: In June 1999, the Government announced the creation of a number of new ministries. Allocations for these ministries will be provided following ministry restructuring, which is currently underway.

# CAPITAL EXPENDITURE

(\$ Millions)	1999-00			
	Interim 1998-99	Budget Plan	Current Outlook	In-Year Change
MINISTRY				
Attorney General	73	56	56	--
Citizenship, Culture and Recreation	6	16	16	--
Community and Social Services	30	22	22	--
Economic Development, Trade and Tourism	2	2	2	--
Education and Training	299	796	796	--
Energy, Science and Technology	23	17	17	--
Environment	19	23	23	--
Water Protection Fund	15	185	185	--
Finance	7	6	6	--
Health	172	504	504	--
Management Board Secretariat	11	16	16	--
Municipal Affairs and Housing	68	--	--	--
Native Affairs Secretariat	10	12	12	--
Natural Resources	30	46	46	--
Northern Development and Mines	176	225	225	--
Solicitor General and Correctional Services	30	133	133	--
Transportation	902	824	826	2
TOTAL CAPITAL EXPENDITURE	1,873	2,883	2,885	2

Note: In June 1999, the Government announced the creation of a number of new ministries. Allocations for these ministries will be provided following ministry restructuring, which is currently underway.

# STATEMENT OF FINANCIAL TRANSACTIONS

(\$ Millions)	1999-00			
	Actual 1998-99	Budget Plan	Current Outlook	Change from Budget
Deficit	3,161	2,076	2,076	--
Cash Timing Adjustments	2,923	3,192	3,192	--
Borrowing on Behalf of Agencies	130	(1,375)	(1,375)	--
Increase (Decrease) in Liquid Reserves	(2,905)	(600)	(600)	--
Net Cash Requirements	3,309	3,293	3,293	--
Maturing Debt	6,380	8,050	8,336	286
Total Financing Requirements	9,689	11,343	11,629	286
Financed by:				
Canada Pension Plan	--	917	952	35
Increase in Short-term Borrowing	365	1,800	1,800	--
Long-term Public Borrowing*	9,324	8,626	8,877	251
<b>TOTAL FINANCING</b>	<b>9,689</b>	<b>11,343</b>	<b>11,629</b>	<b>286</b>

\* Including Ontario Savings Bonds

## 1999-00 FINANCING ACTIVITIES TO DATE

(\$ Millions)	Issued (as of June 30)	Remaining	% Completed
LONG TERM FINANCING	3,787	6,042	38.5%

♦ Long-term financing undertaken in this quarter totalled \$3,787 million as follows:

	(\$ Million)
Ontario Savings Bonds	2,044
Canadian Dollar Issues	1,312
Euro Medium Term Note	60
Canada Pension Plan	371
	<b>3,787</b>

♦ The 1999 Savings Bond Program has raised a total of \$2,044 million, a new record for provincial savings bond issues.

♦ Maturing debt was revised upward to reflect redemptions of Ontario Savings Bonds in June, 1999.

♦ The Province's total direct debt is forecast to be \$121.2 billion at March 31, 2000, up from \$109.0 billion at March 31, 1999. The increase includes \$8.9 billion as a result of the debt-for-equity swap with Ontario Hydro Services Company and Ontario Power Generation.





**ONTARIO FINANCES**

1999-00 SECOND QUARTER

QUARTERLY UPDATE - SEPTEMBER 30, 1999



Ministry of Finance

**Fiscal Summary  
(\$ Millions)**

	Actual 1998-99	1999-00		
		Budget Plan	Current Outlook	In-Year Change
<b>Revenue</b>	55,786	58,150	59,090	940
<b>Expenditure</b>				
Programs	46,752	47,025	47,284	259
Restructuring and Other Charges	76	--	100	100
Total Program Expenditure	46,828	47,025	47,384	359
Capital	1,944	2,883	2,944	61
Public Debt Interest				
Provincial	9,016	9,298	9,268	(30)
Ontario Hydro Successor Companies*	--	520	520	--
Total Expenditure	57,788	59,726	60,116	390
Reserve	--	500	--	(500)
<b>DEFICIT</b>	<b>2,002</b>	<b>2,076</b>	<b>1,026</b>	<b>(1,050)</b>

\* Debt service costs in 1999-00 related to the Province's equity ownership of Ontario Hydro successor companies are offset by increased income from Government Enterprises revenue, which reflects the net income from these corporations.

**HIGHLIGHTS****1998-99 PUBLIC ACCOUNTS**

- ♦ The Public Accounts, released October 15, 1999, reported the 1998-99 audited actual deficit at \$2,002 million, down \$1,159 million from the \$3,161 million interim forecast in the 1999 Budget. This improvement was due to \$927 million in higher revenue than anticipated in the Budget and lower expenditure of \$232 million.

**1999-00 IN-YEAR PERFORMANCE****DEFICIT OUTLOOK AT \$1.0 BILLION**

- ♦ The 1999-00 deficit is projected at \$1,026 million, down \$1,050 million from the Budget Plan and First Quarter Ontario Finances outlook of \$2,076 million.

**REVENUE AT \$59.1 BILLION**

- ♦ The revenue outlook, at \$59,090 million, is up \$940 million from the Budget Plan, and up \$939 million from the First Quarter Ontario Finances mainly due to increased tax revenue as a result of the strength of the economy.

**EXPENDITURE AT \$60.1 BILLION**

- ♦ Total expenditure, at \$60,116 million, is up \$390 million from the Budget Plan and up \$389 million from the First Quarter Ontario Finances mainly due to a \$100 million unallocated provision for Restructuring and Other Charges, added at second quarter; an additional \$107 million for Canada Millennium Scholarships and \$47 million for training of Employment Insurance clients, both fully offset by federal revenues; and a net \$74 million increase for forest fire-fighting.

**RESERVE APPLIED TO DEFICIT REDUCTION**

- ♦ The reserve, designed to protect the fiscal plan against unexpected and adverse changes in the economic and fiscal outlook, has been applied to deficit reduction. Based on the improved revenue outlook and Ontario's strong economic performance for 1999-00, the \$500 million reserve will not be needed.

For further information contact  
Communications Services (416) 325-0333  
Frost Building North, Queen's Park  
Toronto M7A 1Z1

Ce rapport est disponible en français.  
Renseignements : Service des communications  
(416) 325-0333  
Édifice Frost Nord, Queen's Park, Toronto M7A 1Z1

## FISCAL PERFORMANCE

### REVENUE

- ◆ Revenue at \$59,090 million is up \$940 million from the Budget Plan, and up \$939 million from the First Quarter Ontario Finances. Major changes this quarter are:
  - ◆ Personal Income Tax revenue is \$405 million higher, based on preliminary information on the processing of 1998 Ontario PIT returns.
  - ◆ The outlook for Retail Sales Tax revenue is \$350 million higher as a result of the strength of business and consumer spending in Ontario in 1999.
  - ◆ Land Transfer Tax revenue is \$60 million above the First Quarter forecast due to the strength of the housing market in Ontario.
  - ◆ Federal transfers are \$122 million above First Quarter, mainly due to new transfers of \$107 million from the Canada Millennium Scholarship Foundation and \$47 million for the training of Employment Insurance clients. Revenue from the Softwood Lumber Agreement also increased \$2 million. These increases are partially offset by a \$34 million decrease in Canada Health and Social Transfer payments, caused by the effect of increased Ontario income tax revenues in the CHST allocation formula.
  - ◆ Miscellaneous Revenue is \$2 million higher than in the First Quarter due to an additional \$2 million for Ontario Provincial Police services contracts with the counties of Haliburton and Wellington.

### OPERATING EXPENDITURE

- ◆ Net operating expenditure, at \$57,172 million, is up \$329 million from the Budget Plan. Major changes totalling \$330 million this quarter are as follows:
  - ◆ Ministry of Agriculture, Food and Rural Affairs: An additional \$2 million for necessary Year 2000 computer system changes, fully offset from the Contingency Fund.
  - ◆ Ministry of Citizenship, Culture and Recreation: An additional \$3 million for necessary Year 2000 computer system changes, fully offset from the Contingency Fund, and an increase of \$6 million due to the transfer of the Ontario Seniors' Secretariat from the Ministry of Health as part of the recent reorganization of government ministries.
  - ◆ Ministry of Community and Social Services: An additional \$9 million for necessary Year 2000 computer system changes, fully offset from the Contingency Fund.
  - ◆ Ministry of Consumer and Commercial Relations: An additional \$2 million for necessary Year 2000 computer system changes, fully offset from the Contingency Fund.
  - ◆ Ministry of Economic Development and Trade: An additional \$2 million to cover the costs of winding down ORTECH.
  - ◆ Ministry of Education: An additional \$8 million for necessary Year 2000 computer system changes, fully offset from the Contingency Fund.
  - ◆ Ministry of the Environment: An additional \$2 million for necessary Year 2000 computer system changes, fully offset from the Contingency Fund.
  - ◆ Executive Offices: Additional funding of \$1 million to establish the Ontario Olympic Sports and Waterfront Development Agency, and an additional \$2 million for the restructuring of Cabinet Office to support the establishment of the new Cabinet Committee structure.
  - ◆ Ministry of Finance: A \$100 million increase for an unallocated provision for Restructuring and Other Charges, and an additional \$4 million for necessary Year 2000 computer system changes, fully offset from the Contingency Fund.



## OPERATING EXPENDITURE CONT'D

- ♦ Ministry of Health and Long Term Care: An additional \$18 million for necessary Year 2000 computer system changes, fully offset from the Contingency Fund; an additional \$18 million for insurance costs for Canadian Blood Services; and a reduction of \$6 million due to the transfer of the Ontario Seniors' Secretariat to the Ministry of Citizenship, Culture and Recreation as part of the recent reorganization of government ministries.
- ♦ Ministry of Labour: An additional \$1 million for necessary Year 2000 computer system changes, fully offset from the Contingency Fund.
- ♦ Management Board Secretariat: An additional \$14 million for necessary Year 2000 computer system changes and an additional \$5 million for the Year 2000 Corporate Management Project Office, both fully offset from the Contingency Fund.
- ♦ Ministry of Municipal Affairs and Housing: An additional \$8 million for necessary Year 2000 computer system changes, fully offset from the Contingency Fund.
- ♦ Ministry of Natural Resources: An additional \$82 million for extra forest fire-fighting, partially offset by \$8 million from the Contingency Fund; an additional \$5 million for necessary Year 2000 computer system changes, fully offset from the Contingency Fund; and a reduction of \$4 million related to capital leases, consistent with the treatment in the recently released Public Accounts.
- ♦ Ministry of the Solicitor General: An additional \$2 million for OPP policing services contracts with the counties of Haliburton and Wellington; an increase of \$1 million for additional Highway 401 patrols, fully offset from the Contingency Fund; and an additional \$11 million for necessary Year 2000 computer system changes, fully offset from the Contingency Fund.
- ♦ Ministry of Training, Colleges and Universities: An additional \$107 million for Canada Millennium Scholarships and \$47 million for training of Employment Insurance clients, both fully offset by federal revenues; and an additional \$2 million for necessary Year 2000 computer system changes, fully offset from the Contingency Fund.
- ♦ Ministry of Transportation: An additional \$10 million, to deal with the backlog and demand in the graduated licence system; an additional \$1 million to fund the Red Light Camera Pilot Enforcement project; and \$11 million for necessary Year 2000 computer system changes, fully offset from the Contingency Fund.

## PUBLIC DEBT INTEREST

- ♦ The revised Public Debt Interest forecast of \$9,788 million, consisting of \$9,268 million related to borrowing by the Province on its own behalf and \$520 million related to the Province's equity ownership of Ontario Hydro successor companies, is \$30 million below the Budget forecast. The decline of \$30 million is due to lower financing requirements, leading to higher liquid reserves and consequently higher investment income than projected at the time of the Budget.

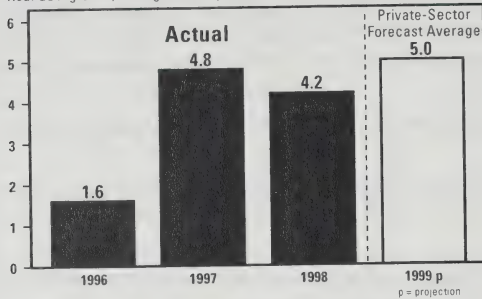
## CAPITAL EXPENDITURE

- ♦ Capital expenditure at \$2,944 million is up \$61 million from the Budget Plan. The major changes totalling \$59 million this quarter are:
  - ♦ Ministry of Natural Resources: Increased expenditure of \$57 million to complete the planned acquisition of four remaining forest fire-fighting water bombers, and additional funding of \$2 million for the purchase of land on Manitoulin Island to protect significant natural heritage sites.



## Strong Economic Growth Continues

Real GDP growth, average annual per cent



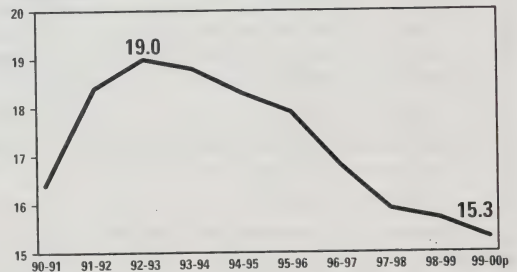
Sources: Ontario Ministry of Finance, Survey of Private-Sector Forecasts (November 1999).

The Ontario economy has continued to grow at a healthy pace. Consumer spending, business investment, housing and exports are all contributing to economic growth. Tax cuts, solid job creation and income gains are providing the basis for a sustained expansion. Ontario is expected to grow faster than the Canadian economy or any of the G-7 economies over the next two years. Private-sector economists are, on average, forecasting real growth of 5.0 per cent in 1999.

After rising sharply in the early 1990s, total spending as a per cent of Provincial GDP has been declining. The Government's policy of controlling spending and cutting taxes to promote economic growth has resulted in an improved business climate and worked toward restoring Ontario's finances to a sound footing.

## Spending as a Per Cent of GDP

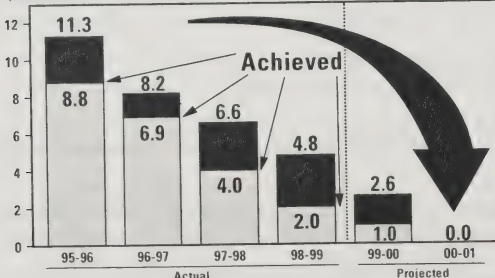
Per Cent of GDP



Sources: Ontario Ministry of Finance and Statistics Canada.

## Ontario's Balanced Budget Plan on Track

\$ Billions



In the fall of 1995 the Government set out its Balanced Budget Plan to eliminate the deficit by the year 2000-01. Ontario remains on track to meet the declining annual deficit targets outlined in the Plan. At \$2.0 billion, the 1998-99 deficit is more than \$2.2 billion below the 1998 Budget target of \$4.2 billion, and \$2.8 billion below the original 1998-99 Balanced Budget Plan deficit target of \$4.8 billion. Due to improved fiscal performance, the 1999-00 deficit target of \$2.6 billion was cut by \$0.5 billion in the 1999 Budget and set at \$2.1 billion. With the deficit now forecast at \$1.0 billion, Ontario is on track to overachieve its deficit target for the fifth consecutive year.



**STRONG JOB GROWTH CONTINUES IN 1999**

- ◆ In October, Ontario employment climbed sharply by 43,600. This followed a strong 28,800 job gain in September.
- ◆ During the first 10 months of 1999, Ontario employment is up 177,000 following a record gain of 200,000 net new jobs in 1998.
- ◆ In October 1999, Ontario's unemployment rate was 6.0%, down substantially from 7.0% a year earlier.

**ECONOMY EXPANDS AT ROBUST PACE IN THE SECOND QUARTER OF 1999**

- ◆ In the second calendar quarter of 1999 (April-June), Ontario real Gross Domestic Product (GDP) rose 5.0% at annual rates, following a 5.2% increase in the first quarter.

**STRONG CONSUMER SPENDING GROWTH IN 1999**

- ◆ Over the first nine months of 1999, Ontario retail sales are up 7.3% from a year ago.
- ◆ Over the first nine months of 1999, unit auto sales in Ontario jumped 11.0% from a year ago.

**HOUSING MARKET REMAINS STRONG**

- ◆ Over the first 10 months of 1999, housing starts in Ontario rose 24.3% from a year ago.
- ◆ Ontario home resales rose 8.4%, over the first nine months of 1999, compared to a year ago.
- ◆ Over the first 10 months of 1999, Toronto new home sales increased 29.5% from a year ago.

**MANUFACTURING SHIPMENTS GROWING**

- ◆ Over the first nine months of 1999, Ontario manufacturing shipments rose 12.9% from a year ago.

**AUTO PRODUCTION SOARS IN 1999**

- ◆ Ontario auto production is up 21.6% over the first 10 months of 1999, on track for another record production year.

**ONTARIO EXPORTS RISING IN 1999**

- ◆ Over the first nine months of 1999, Ontario international merchandise exports increased 16.2% from a year ago.

**ONTARIO INFLATION REMAINS LOW IN 1999**

- ◆ Ontario's inflation rate as measured by the Consumer Price Index (CPI) averaged 1.8% over the first 10 months of 1999.

KEY ECONOMIC INDICATORS								
(% Change from previous period, unless indicated otherwise)								
		Annual			Quarterly			
		1998	98:1	98:2	98:3	98:4	99:1	99:2
<b>Output (Seasonally Adjusted Annual Rate)</b>								
Real GDP	Ontario	4.2	6.0	0.9	1.4	8.6	5.2	5.0
Nominal GDP	Ontario	3.4	5.8	1.1	(2.2)	8.5	10.0	8.1
		Annual			Monthly 1999			
		1998	May	June	July	Aug	Sept	Oct
<b>Other Indicators (Seasonally Adjusted)</b>								
<b>Labour Markets</b>								
Labour Force (Change in 000s)	Ontario	135	12	(75)	31	(12)	33	17
Employment (Change in 000s)	Ontario	200	23	(29)	14	2	29	44
Private Sector	Ontario	154	27	(38)	20	(1)	36	30
Public Sector	Ontario	46	(4)	9	(6)	2	(7)	14
Unemployment Rate (%)	Ontario	7.2	7.0	6.3	6.6	6.4	6.4	6.0
<b>Household Sector</b>								
Retail Sales	Ontario	6.9	1.0	0.7	1.7	2.4	(1.1)	N/A
Urban Housing Starts (000s)	Ontario	50.1	66.3	67.9	61.1	62.0	60.3	59.4
New Home Sales*	Toronto	4.6	15.5	41.8	36.1	27.5	41.6	44.4
MLS Home Sales*	Ontario	(1.5)	9.3	12.0	5.8	10.3	6.8	N/A
<b>Manufacturing Shipments</b>	Ontario	4.8	0.4	1.5	0.4	4.6	0.4	N/A
Transportation Equipment	Ontario	6.8	2.3	1.5	(0.4)	8.2	0.6	N/A
<b>Consumer Price Index: All Items</b>	Ontario	0.9	1.8	1.9	2.0	2.5	2.6	2.3

Sources: Statistics Canada, Ontario Ministry of Finance, Canada Mortgage and Housing Corporation, Greater Toronto Home Builders' Association, Canadian Real Estate Association, and Ward's Automotive.

\* % change from a year earlier

# **ONTARIO FINANCES**

## **FINANCIAL TABLES**

# REVENUE

(\$ Millions)	Actual 1998-99	1999-00		
		Budget Plan	Current Outlook	In-Year Change
<b>TAXATION REVENUE</b>				
Personal Income Tax	17,190	15,670	16,075	405
Retail Sales Tax	11,651	12,110	12,460	350
Corporations Tax	7,447	7,820	7,820	--
Employer Health Tax	2,882	2,990	2,990	--
Gasoline Tax	2,068	2,155	2,155	--
Fuel Tax	592	595	595	--
Tobacco Tax	447	470	470	--
Land Transfer Tax	470	480	540	60
Mining Profits Tax	23	30	30	--
Race Tracks Tax	6	5	5	--
Preferred Share Dividends Tax	50	35	35	--
Other Taxation	251	225	225	--
	<b>43,077</b>	<b>42,585</b>	<b>43,400</b>	<b>815</b>
<b>GOVERNMENT OF CANADA</b>				
Canada Health and Social Transfer	3,553	3,727	3,693	(34)
Increase in CHST Allocation	--	190	190	--
CHST Health Supplement	--	755	755	--
Bilingualism Development	55	55	55	--
Young Offenders Act	57	58	58	--
Employability Assistance for People with Disabilities	71	65	65	--
Canada-Ontario Infrastructure Works	71	29	29	--
Social Housing	358	370	370	--
Other	350	307	463	156
	<b>4,515</b>	<b>5,556</b>	<b>5,678</b>	<b>122</b>
<b>INCOME FROM GOVERNMENT ENTERPRISES</b>				
Ontario Lottery Corporation	682	930	930	--
Liquor Control Board of Ontario	809	830	830	--
Ontario Casino Corporation	1,082	995	995	--
Ontario Hydro Successor Companies	--	527	527	--
Other	(26)	(35)	(35)	--
	<b>2,547</b>	<b>3,247</b>	<b>3,247</b>	<b>--</b>
<b>OTHER REVENUE</b>				
Vehicle and Driver Registration Fees	890	880	880	--
Other Fees and Licences	661	625	625	--
Liquor Licence Revenue	519	515	515	--
Royalties	289	225	225	--
Sales and Rentals	640	2,230	2,230	--
Fines and Penalties	50	57	57	--
Local Services Realignment -- Reimbursement of Expenditure	2,109	1,794	1,794	--
Miscellaneous	489	436	439	3
	<b>5,647</b>	<b>6,762</b>	<b>6,765</b>	<b>3</b>
<b>TOTAL REVENUE</b>	<b>55,786</b>	<b>58,150</b>	<b>59,090</b>	<b>940</b>

# OPERATING EXPENDITURE

MINISTRY	Actual 1998-99	1999-00		
		Budget Plan	Current Outlook	In-Year Change
Agriculture, Food and Rural Affairs	309	365	367	2
Attorney General	751	816	816	--
Board of Internal Economy	117	121	121	--
Citizenship, Culture and Recreation	345	393	402	9
Office Responsible for Women's Issues	20	26	26	--
Community and Social Services	7,648	7,677	7,705	28
Consumer and Commercial Relations	136	126	128	2
Correctional Services*	540	502	502	--
Economic Development and Trade*	88	111	113	2
Education*	7,717	7,891	7,899	8
Teachers' Pension Plan	67	(85)	(85)	--
Energy, Science and Technology	333	146	146	--
Environment	162	165	167	2
Executive Offices	17	20	23	3
Finance -- Own Account	999	731	739	8
Public Debt Interest				
Provincial	9,016	9,298	9,268	(30)
Ontario Hydro Successor Companies	--	520	520	--
Community Reinvestment Fund	678	543	543	--
Restructuring and Other Charges -- Unallocated	--	--	100	100
Health and Long Term Care	18,868	20,173	20,203	30
Health Care Restructuring	50	--	--	--
Major One-time Health Care Costs	639	--	--	--
Intergovernmental Affairs	4	4	4	--
Labour	108	95	96	1
Management Board Secretariat	358	432	451	19
Public Service/OPSEU Pension Plan	(219)	(223)	(223)	--
Contingency Fund	--	694	514	(180)
Special Circumstances Fund	180	--	--	--
Municipal Affairs and Housing	1,611	1,546	1,594	48
Native Affairs Secretariat	10	12	12	--
Natural Resources	542	364	447	83
Northern Development and Mines	82	127	127	--
Office of Francophone Affairs	3	3	3	--
Solicitor General*	746	741	756	15
Tourism*	70	64	64	--
Training, Colleges and Universities*	3,215	3,306	3,462	156
Transportation	607	539	562	23
Restructuring	(17)	--	--	--
Ottawa-Carleton Regional Transit Commission Transit Bus Subsidy Agreement	44	--	--	--
Year-End Savings	--	(400)	(400)	--
<b>TOTAL OPERATING EXPENDITURE</b>	<b>55,844</b>	<b>56,843</b>	<b>57,172</b>	<b>329</b>

\* Interim allocation pending finalization of new ministry structure.



# CAPITAL EXPENDITURE

(\$ Millions)	Actual 1998-99	1999-00		In-Year Change
		Budget Plan	Current Outlook	
<b>MINISTRY</b>	<b>1</b>	<b>--</b>	<b>--</b>	<b>--</b>
Agriculture, Food and Rural Affairs	73	56	56	--
Attorney General	6	16	16	--
Citizenship, Culture and Recreation	38	22	22	--
Community and Social Services	30	133	133	--
Correctional Services*	229	54	54	--
Education*	23	17	17	--
Energy, Science and Technology	19	23	23	--
Environment	15	185	185	--
Water Protection Fund	3	6	6	--
Finance	187	504	504	--
Health and Long Term Care	39	16	16	--
Management Board Secretariat	62	--	--	--
Municipal Affairs and Housing	10	12	12	--
Native Affairs Secretariat	62	46	105	59
Natural Resources	177	225	225	--
Northern Development and Mines	8	--	--	--
Solicitor General*	1	2	2	--
Tourism*	69	742	742	--
Training, Colleges and Universities*	892	824	826	2
Transportation				
<b>TOTAL CAPITAL EXPENDITURE</b>	<b>1,944</b>	<b>2,883</b>	<b>2,944</b>	<b>61</b>

\* Interim allocation pending finalization of new ministry structure.

# STATEMENT OF FINANCIAL TRANSACTIONS

(\$ Millions)	1999-00			
	Actual 1998-99	Budget Plan	Current Outlook	Change from Budget
Deficit	2,002	2,076	1,026	(1,050)
Cash Timing Adjustments*	4,147	3,192	2,129	(1,063)
Borrowing on Behalf of Agencies	(92)	(1,375)	(1,375)	--
Increase (Decrease) in Liquid Reserves	(2,634)	(600)	(600)	--
Net Cash Requirements	3,423	3,293	1,180	(2,113)
Maturing Debt	7,139	8,050	8,050	--
Early Redemptions and Debt Buybacks	--	--	405	405
Total Financing Requirements	10,562	11,343	9,635	(1,708)
Financed by:				
Canada Pension Plan	--	917	870	(47)
Increase in Short-term Borrowing	440	1,800	139	(1,661)
Long-term Public Borrowing**	10,122	8,626	8,626	--
<b>TOTAL FINANCING</b>	<b>10,562</b>	<b>11,343</b>	<b>9,635</b>	<b>(1,708)</b>

\* Includes Balance Sheet Items

\*\* Including Ontario Savings Bonds

## 1999-00 FINANCING ACTIVITIES TO DATE

(\$ Millions)	Issued (as of September 30)	Remaining	% Completed
LONG TERM PUBLIC BORROWING	4,211	4,415	48.8%

♦ Long-term financing undertaken in this quarter totalled \$954 million as follows:

	(\$ Millions)
Canadian Dollar Issues	790
Canada Pension Plan	164
	<b>954</b>

♦ The amount of \$405 million under the heading "Early Redemptions and Debt Buybacks" includes \$286 million in early redemptions of Ontario Savings Bonds in June, and \$119 million from the repurchase and retirement of Province of Ontario bonds.

♦ Total Provincial Purpose debt is forecast to be \$119.2 billion at March 31, 2000, up from \$109.2 billion at March 31, 1999. The increase includes \$8.9 billion as a result of the debt-for-equity swaps with each of Ontario Power Generation and Ontario Hydro Services Company.



# ONTARIO FINANCES

1999-00 THIRD QUARTER

QUARTERLY UPDATE - DECEMBER 31, 1999

 Ontario  
Ministry of Finance

## Fiscal Summary (\$ Millions)

	Actual 1998-99	1999-00		
		Budget Plan	Current Outlook	In-Year Change
Revenue	55,786	58,150	59,835	1,685
Expenditure				
Programs	46,752	47,025	48,058	1,033
Restructuring and Other Charges	76	--	100	100
Total Program Expenditure	46,828	47,025	48,158	1,133
Capital	1,944	2,883	2,930	47
Public Debt Interest				
Provincial	9,016	9,298	9,228	(70)
Ontario Hydro Successor Companies*	--	520	520	--
Total Expenditure	57,788	59,726	60,836	1,110
Reserve	--	500	--	(500)
DEFICIT	2,002	2,076	1,001	(1,075)

\* Debt service costs in 1999-00 related to the Province's equity ownership of Ontario Hydro successor companies are offset by increased income from Government Enterprises revenue, which reflects the net income from these corporations.

## HIGHLIGHTS

### 1999-00 IN-YEAR PERFORMANCE

#### DEFICIT OUTLOOK AT \$1.0 BILLION

- ◆ The 1999-00 deficit is projected at \$1,001 million, down \$1,075 million from the Budget Plan and down \$25 million from the Second Quarter Ontario Finances outlook of \$1,026 million.

#### REVENUE AT \$59.8 BILLION

- ◆ The revenue outlook, at \$59,835 million, is up \$1,685 million from the Budget Plan, and up \$745 million from the Second Quarter Ontario Finances, mainly due to increased tax revenue as a result of the strength of the economy, and increased federal transfers under the recently signed Canada-Ontario Social Housing Agreement.

#### EXPENDITURE AT \$60.8 BILLION

- ◆ Total expenditure, at \$60,836 million, is up \$1,110 million from the Budget Plan and up \$720 million from the Second Quarter Ontario Finances. Major changes this quarter included a \$200 million increase in Public Service/OPSEU Pension Plan expenditure; \$196 million in additional funding for hospitals; \$196 million resulting from the Canada-Ontario Social Housing Agreement; and \$106 million for child welfare.

#### RESERVE APPLIED TO DEFICIT REDUCTION

- ◆ The reserve, designed to protect the fiscal plan against unexpected and adverse changes in the economic and fiscal outlook, was not needed. Based on the improved revenue outlook and Ontario's strong economic performance for 1999-00, the \$500 million reserve was applied to deficit reduction in the Second Quarter Ontario Finances.

For further information contact  
Communications Services (416) 325-0333  
Frost Building North, Queen's Park  
Toronto M7A 1Z1

Ce rapport est disponible en français.  
Renseignements : Services des communications  
(416) 325-0333  
Édifice Frost Nord, Queen's Park, Toronto M7A 1Z1

**FISCAL PERFORMANCE****REVENUE**

- ◆ Total revenue is \$59,835 million, \$745 million above the Second Quarter Ontario Finances and up \$1,685 million from the Budget projection. Major changes this quarter are:
  - ◆ Personal Income Tax revenue is \$500 million higher, based on preliminary information on the processing of 1998 Ontario PIT returns.
  - ◆ The outlook for Employer Health Tax revenue is \$50 million higher as a result of the strength of employment and income growth in Ontario in 1999.
  - ◆ Federal transfers are \$194 million above second quarter, mainly due to a \$264 million increase under the recently signed Canada-Ontario Social Housing Agreement. This increase is partially offset by a \$70 million decrease in Canada Health and Social Transfer (CHST) payments, due to the effect of higher Ontario income tax revenues in the CHST allocation formula.
  - ◆ Miscellaneous Revenue is \$1 million higher than in the second quarter due to additional non-tax revenue for Ontario Provincial Police services contracts.

**OPERATING EXPENDITURE**

- ◆ Net operating expenditure, at \$57,906 million, is up \$1,063 million from the Budget Plan. Major changes totalling \$734 million this quarter are as follows:
  - ◆ Ministry of Agriculture, Food and Rural Affairs: An additional \$2 million for necessary Year 2000 computer system changes, fully offset from the Contingency Fund.
  - ◆ Ministry of the Attorney General: Additional funding of \$25 million for legally binding awards affecting Judges and Justices of the Peace, partially offset by \$14 million from the Contingency Fund.
  - ◆ Ministry of Citizenship, Culture and Recreation: An additional \$3 million for necessary Year 2000 computer system changes, fully offset from the Contingency Fund.
  - ◆ Ministry of Community and Social Services: An in-year increase of \$106 million to address higher volume as well as transitional costs associated with child welfare reform, and an additional \$8 million for necessary Year 2000 computer system changes, fully offset from the Contingency Fund.
  - ◆ Ministry of Education: An additional \$7 million for necessary Year 2000 computer system changes, fully offset from the Contingency Fund.
  - ◆ Ministry of the Environment: An additional \$3 million for necessary Year 2000 computer system changes, fully offset from the Contingency Fund.
  - ◆ Ministry of Finance: An additional \$3 million for necessary Year 2000 computer system changes, fully offset from the Contingency Fund.
  - ◆ Ministry of Health and Long Term Care: An additional \$196 million to hospitals for front-line patient care and to assist hospitals with transitional issues, and an additional \$45 million for necessary Year 2000 computer system changes, fully offset from the Contingency Fund.



## OPERATING EXPENDITURE CONT'D

- ♦ Management Board Secretariat: An in-year increase of \$200 million in Public Service/OPSEU Pension Plan expenditure mainly due to the impact on Provincial expenditure of OPSEU's decision to use the members' share of actuarial gains in the pension plan towards benefit enhancements and a contribution holiday; an additional \$8 million for necessary Year 2000 computer system changes and an additional \$5 million for the Year 2000 Corporate Management Project Office, both fully offset from the Contingency Fund; less \$23 million savings in Realty Services Program operations mainly due to lower-than-expected payments-in-lieu of property taxes.
- ♦ Ministry of Municipal Affairs and Housing: An additional \$196 million resulting from the recently signed Canada-Ontario Social Housing Agreement, fully offset by federal revenues; an increase of \$54 million in assistance to municipalities related to business education property taxes, including \$2 million fully offset from the Contingency Fund for administrative costs related to the *Fairness for Property Taxpayers Act*; an additional \$22 million to reflect the interest concession on a \$100 million interest-free loan to the City of Toronto; and an additional \$1 million for necessary Year 2000 computer system changes, fully offset from the Contingency Fund.
- ♦ Ministry of Natural Resources: An additional \$8 million for necessary Year 2000 computer system changes, fully offset from the Contingency Fund; \$4 million reallocated from capital to operating spending for the GeoSmart initiative; less \$10 million savings in forest fire-fighting expenditure.
- ♦ Ministry of the Solicitor General: Additional funding of \$30 million for the Integrated Justice project, partially offset by \$11 million from the Contingency Fund; additional funding of \$1 million for Ontario Provincial Police services contracts; and an additional \$12 million for necessary Year 2000 computer system changes, fully offset from the Contingency Fund.
- ♦ Ministry of the Training, Colleges and Universities: An additional \$1 million for necessary Year 2000 computer system changes, fully offset from the Contingency Fund.
- ♦ Ministry of Transportation: An additional \$4 million for necessary Year 2000 computer system changes, fully offset from the Contingency Fund.

## PUBLIC DEBT INTEREST

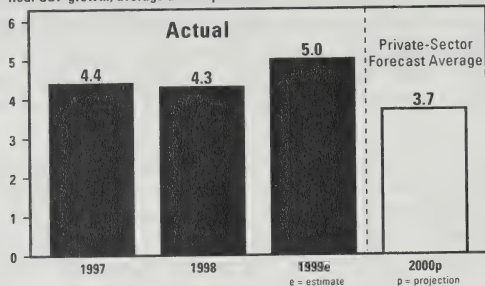
- ♦ The revised Public Debt Interest forecast of \$9,748 million consisting of \$9,228 million related to the Province's borrowing on its own behalf and \$520 million related to the Province's equity ownership of Ontario Hydro successor companies, is \$70 million below the Budget forecast. The decline of \$40 million in the third quarter is due to lower financing requirements than projected at the time of the Budget.

## CAPITAL EXPENDITURE

- ♦ Capital expenditure at \$2,930 million is up \$47 million from the Budget Plan, and down \$14 million from second quarter. The major changes this quarter are:
  - ♦ Ministry of the Attorney General: Savings of \$6 million in courthouses construction.
  - ♦ Ministry of Natural Resources: Savings of \$4 million as a result of the reallocation from capital to operating spending for the GeoSmart initiative.
  - ♦ Ministry of Northern Development and Mines: Savings of \$4 million in the Community Infrastructure Program which funds community facilities, and water and sewage projects.

## Strong Economic Growth Continues

Real GDP growth, average annual per cent



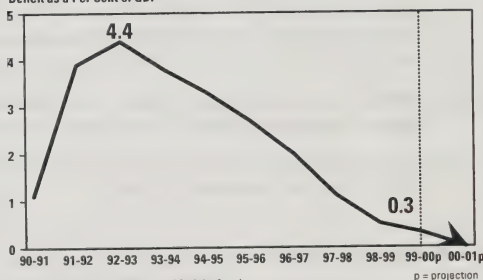
Sources: Ontario Ministry of Finance, Survey of Private-Sector Forecasts (January 2000).

The Ontario economy has continued to grow at a healthy pace. Consumer spending, business investment, housing and exports are all contributing to economic growth. Tax cuts, solid job creation and income gains are providing the basis for a sustained expansion. Private-sector economists are, on average, forecasting real growth of 3.7 per cent in 2000. Ontario's economy is expected to grow faster than any of the other economies of the G-7 industrialized nations in 2000, according to private-sector forecasters.

By controlling spending and cutting taxes to promote economic growth, the Government has made progress towards restoring Ontario's finances and improving the Province's business climate. In 1998-99, the Provincial deficit dropped below one per cent of GDP for the first time this decade. In 1999-00, the deficit is projected to fall to 0.3 per cent of GDP.

## Deficit Falls to 0.3 Per Cent of GDP in 1999-00

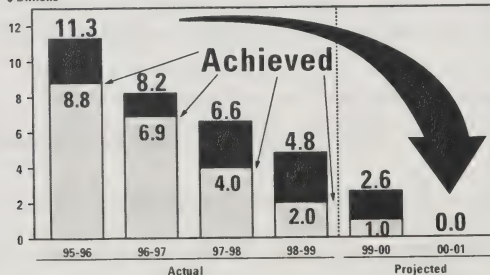
Deficit as a Per Cent of GDP



Sources: Ontario Ministry of Finance and Statistics Canada

## Ontario's Balanced Budget Plan on Track

\$ Billions



Source: Ontario Ministry of Finance

In the fall of 1995 the Government set out its Balanced Budget Plan to eliminate the deficit by the year 2000-01. Ontario remains on track to meet the declining annual deficit targets outlined in the Plan. At \$2.0 billion, the 1998-99 deficit is more than \$2.2 billion below the 1998 Budget target of \$4.2 billion, and \$2.8 billion below the original 1998-99 Balanced Budget Plan deficit target of \$4.8 billion. Due to improved fiscal performance, the 1999-00 deficit target of \$2.6 billion was cut by \$0.5 billion in the 1999 Budget and set at \$2.1 billion. With the deficit now forecast at \$1.0 billion for 1999-00, Ontario is on track to overachieve its deficit target for the fifth consecutive year.

## **ONTARIO RECORDS STRONG ECONOMIC GROWTH IN THIRD QUARTER OF 1999**

- ◆ Real Ontario GDP increased 7.1% in the third quarter of 1999, compared to the same period a year earlier, the fastest gain in eleven years.

## **STRONG JOB GROWTH IN FOURTH QUARTER OF 1999**

- ◆ In the fourth quarter of 1999 (October-December), Ontario's employment rose 70,000. All of the job creation was full time.

## **ROBUST JOB CREATION CONTINUES IN 1999**

- ◆ For 1999, Ontario employment is up 173,000 following a record gain of 200,000 net new jobs in 1998.
- ◆ In December 1999, Ontario's unemployment rate was 5.6%, down substantially from 6.9% a year earlier.

## **STRONG CONSUMER SPENDING GROWTH IN 1999**

- ◆ Over the first eleven months of 1999, Ontario retail sales were up 7.5% from a year earlier.
- ◆ Over the same period, unit auto sales in Ontario jumped 12.1%.

## **HOUSING MARKET REMAINS STRONG**

- ◆ Housing starts in Ontario rose 24.9% in 1999.
- ◆ Ontario home resales rose 8.0% over the first eleven months of 1999, compared to a year ago.
- ◆ Toronto new home sales increased 33.1% in 1999.

## **MANUFACTURING SHIPMENTS GROWING**

- ◆ Over the first eleven months of 1999, Ontario manufacturing shipments rose 12.1% from a year earlier.

## **AUTO PRODUCTION SOARS IN 1999**

- ◆ For the year 1999, Ontario auto production rose 19.5% to reach a new record production level of 3 million units.

## **ONTARIO EXPORTS RISING IN 1999**

- ◆ Over the first eleven months of 1999, Ontario international merchandise exports increased 14.2% from a year earlier.

## **ONTARIO INFLATION REMAINS LOW IN 1999**

- ◆ For the year 1999, Ontario's inflation rate as measured by the Consumer Price Index (CPI) was 1.9%.

KEY ECONOMIC INDICATORS								
(% Change from previous period, unless indicated otherwise)								
		Annual	Annual	Quarterly				
		1998	1999	98:3	98:4	99:1	99:2	99:3
<b>Output (Seasonally Adjusted)</b>								
Real GDP	Ontario	4.3	N/A	0.2	2.5	1.3	1.4	1.7
Nominal GDP	Ontario	4.3	N/A	(0.1)	2.5	2.2	2.0	2.4
		Annual	Annual	Monthly 1999				
		1998	1999	Aug	Sept	Oct	Nov	Dec
<b>Other Indicators (Seasonally Adjusted)</b>								
<b>Labour Markets</b>								
Labour Force (Change in 000s)	Ontario	135	132	(12)	33	17	(29)	34
Employment (Change in 000s)	Ontario	200	173	2	29	44	(7)	35
Private Sector	Ontario	154	193	(1)	36	30	(18)	39
Public Sector	Ontario	46	(20)	2	(7)	14	11	(4)
Unemployment Rate (%)	Ontario	7.2	6.4	6.4	6.4	6.0	5.6	5.6
<b>Household Sector</b>								
Retail Sales	Ontario	6.9	N/A	2.4	(1.3)	(0.6)	0.6	N/A
Urban Housing Starts (000s)	Ontario	50.1	62.9	62.0	60.3	59.5	67.0	68.6
New Home Sales*	Toronto	4.6	33.1	27.5	41.6	44.4	62.1	46.8
MLS Home Sales*	Ontario	(1.5)	N/A	(0.7)	(2.0)	(8.1)	1.5	N/A
<b>Manufacturing Shipments</b>	Ontario	4.8	N/A	4.2	0.1	(2.1)	0.7	N/A
Transportation Equipment	Ontario	6.8	N/A	7.9	(0.2)	(5.3)	0.6	N/A
<b>Consumer Price Index*</b>	Ontario	0.9	1.9	2.5	2.6	2.3	2.3	2.9

Sources: Statistics Canada, Ontario Ministry of Finance, Canada Mortgage and Housing Corporation, Greater Toronto Home Builders Association, Canadian Real Estate Association and Ward's Automotive.

\* % change from a year earlier

# **ONTARIO FINANCES**

## **FINANCIAL TABLES**



# REVENUE

(\$ Millions)	1999-00			
	Actual 1998-99	Budget Plan	Current Outlook	In-Year Change
<b>TAXATION REVENUE</b>				
Personal Income Tax	17,190	15,670	16,575	905
Retail Sales Tax	11,651	12,110	12,460	350
Corporations Tax	7,447	7,820	7,820	--
Employer Health Tax	2,882	2,990	3,040	50
Gasoline Tax	2,068	2,155	2,155	--
Fuel Tax	592	595	595	--
Tobacco Tax	447	470	470	--
Land Transfer Tax	470	480	540	60
Mining Profits Tax	23	30	30	--
Race Tracks Tax	6	5	5	--
Preferred Share Dividends Tax	50	35	35	--
Other Taxation	251	225	225	--
	<b>43,077</b>	<b>42,585</b>	<b>43,950</b>	<b>1,365</b>
<b>GOVERNMENT OF CANADA</b>				
Canada Health and Social Transfer	3,553	3,727	3,623	(104)
Increase in CHST Allocation	--	190	190	--
CHST Health Supplement	--	755	755	--
Bilingualism Development	55	55	55	--
Young Offenders Act	57	58	58	--
Employability Assistance for People with Disabilities	71	65	65	--
Canada-Ontario Infrastructure Works	71	29	29	--
Social Housing	358	370	634	264
Other	350	307	463	156
	<b>4,515</b>	<b>5,556</b>	<b>5,872</b>	<b>316</b>
<b>INCOME FROM GOVERNMENT ENTERPRISES</b>				
Ontario Lottery Corporation	682	930	930	--
Liquor Control Board of Ontario	809	830	830	--
Ontario Casino Corporation	1,082	995	995	--
Ontario Hydro Successor Companies	--	527	527	--
Other	(26)	(35)	(35)	--
	<b>2,547</b>	<b>3,247</b>	<b>3,247</b>	<b>--</b>
<b>OTHER REVENUE</b>				
Vehicle and Driver Registration Fees	890	880	880	--
Other Fees and Licences	661	625	625	--
Liquor Licence Revenue	519	515	515	--
Royalties	289	225	225	--
Sales and Rentals	640	2,230	2,230	--
Fines and Penalties	50	57	57	--
Local Services Realignment - Reimbursement of Expenditure	2,109	1,794	1,794	--
Miscellaneous	489	436	440	4
	<b>5,647</b>	<b>6,762</b>	<b>6,766</b>	<b>4</b>
<b>TOTAL REVENUE</b>	<b>55,786</b>	<b>58,150</b>	<b>59,835</b>	<b>1,685</b>

# OPERATING EXPENDITURE

MINISTRY	Actual 1998-99	1999-00		
		Budget Plan	Current Outlook	In-Year Change
Agriculture, Food and Rural Affairs	309	365	369	4
Attorney General	751	816	841	25
Board of Internal Economy	117	121	121	--
Citizenship, Culture and Recreation	345	393	405	12
Office Responsible for Women's Issues	20	26	26	--
Community and Social Services	7,648	7,677	7,819	142
Consumer and Commercial Relations	136	126	128	2
Correctional Services *	540	502	502	--
Economic Development and Trade *	88	111	113	2
Education *	7,717	7,891	7,906	15
Teachers' Pension Plan	67	(85)	(85)	--
Energy, Science and Technology	333	146	146	--
Environment	162	165	170	5
Executive Offices	17	20	23	3
Finance - Own Account	999	731	742	11
Public Debt Interest				
Provincial	9,016	9,298	9,228	(70)
Ontario Hydro Successor Companies	--	520	520	--
Community Reinvestment Fund	678	543	543	--
Restructuring and Other Charges - Unallocated	--	--	100	100
Health and Long Term Care	18,868	20,173	20,444	271
Health Care Restructuring	50	--	--	--
Major One-time Health Care Costs	639	--	--	--
Intergovernmental Affairs	4	4	4	--
Labour	108	95	96	1
Management Board Secretariat	358	432	441	9
Public Service/OPSEU Pension Plan	(219)	(223)	(23)	200
Contingency Fund	--	694	377	(317)
Special Circumstances Fund	180	--	--	--
Municipal Affairs and Housing	1,611	1,546	1,867	321
Native Affairs Secretariat	10	12	12	--
Natural Resources	542	364	449	85
Northern Development and Mines	82	127	127	--
Office of Francophone Affairs	3	3	3	--
Solicitor General *	746	741	799	58
Tourism *	70	64	64	--
Training, Colleges and Universities *	3,215	3,306	3,463	157
Transportation	607	539	566	27
Restructuring	(17)	--	--	--
Ottawa-Carleton Regional Transit Commission Transit Bus Subsidy Agreement	44	--	--	--
Year-End Savings	--	(400)	(400)	--
<b>TOTAL OPERATING EXPENDITURE</b>	<b>55,844</b>	<b>56,843</b>	<b>57,906</b>	<b>1,063</b>

\* Interim allocation pending finalization of new ministry structure.

# CAPITAL EXPENDITURE

MINISTRY	Actual 1998-99	1999-00		
		Budget Plan	Current Outlook	In-Year Change
Agriculture, Food and Rural Affairs	1	--	--	--
Attorney General	73	56	50	(6)
Citizenship, Culture and Recreation	6	16	16	--
Community and Social Services	38	22	22	--
Correctional Services *	30	133	133	--
Education *	229	54	54	--
Energy, Science and Technology	23	17	17	--
Environment	19	23	23	--
Water Protection Fund	15	185	185	--
Finance	3	6	6	--
Health and Long Term Care	187	504	504	--
Management Board Secretariat	39	16	16	--
Municipal Affairs and Housing	62	--	--	--
Native Affairs Secretariat	10	12	12	--
Natural Resources	62	46	101	55
Northern Development and Mines	177	225	221	(4)
Solicitor General *	8	--	--	--
Tourism *	1	2	2	--
Training, Colleges and Universities *	69	742	742	--
Transportation	892	824	826	2
<b>TOTAL CAPITAL EXPENDITURE</b>	<b>1,944</b>	<b>2,883</b>	<b>2,930</b>	<b>47</b>

\* Interim allocation pending finalization of new ministry structure.

# STATEMENT OF FINANCIAL TRANSACTIONS

(\$ Millions)	1999-00			
	Actual 1998-99	Budget Plan	Current Outlook	Change from Budget
Deficit	2,002	2,076	1,001	(1,075)
Cash Timing Adjustments*	4,147	3,192	961	(2,231)
Borrowing on Behalf of Agencies	(92)	(1,375)	(1,375)	--
Increase (Decrease) in Liquid Reserves	(2,634)	(600)	(600)	--
Net Cash Requirements	3,423	3,293	(13)	(3,306)
Maturing Debt	7,139	8,050	8,050	--
Early Redemptions and Debt Buybacks	--	--	1,074	1,074
Total Financing Requirements	10,562	11,343	9,111	(2,232)
Financed by:				
Canada Pension Plan	--	917	870	(47)
Increase in Short-term Borrowing	440	1,800	600	(1,200)
Long-term Public Borrowing**	10,122	8,626	7,641	(985)
<b>TOTAL FINANCING</b>	<b>10,562</b>	<b>11,343</b>	<b>9,111</b>	<b>(2,232)</b>

\* Includes Balance Sheet Items

\*\* Includes Ontario Savings Bonds

## 1999-00 FINANCING ACTIVITIES TO DATE

(\$ Millions)	Issued		
	(as of December 31)	Remaining	% Completed
LONG-TERM PUBLIC BORROWING	6,426	1,215	84.1%

♦ Long-term financing undertaken in this quarter totalled \$2,423 million as follows:

	(\$ Million)
Canadian Dollar Issues	1,948
Yen Issues	267
Canada Pension Plan	208
	<b>2,423</b>

♦ The amount of \$1,074 million under the heading "Early Redemptions and Debt Buybacks" consists of \$955 million in early redemptions of Ontario Savings Bonds in June and December, and \$119 million from the repurchase and retirement of Province of Ontario bonds.

♦ The Province's total direct debt is forecast to be \$118.0 billion at March 31, 2000, up from \$109.2 billion at March 31, 1999. The increase includes \$8.9 billion as a result of the debt-for-equity swap with each of the Ontario Power Generation and Ontario Hydro Services Company, slightly offset by the small negative net cash requirements.





# ONTARIO FINANCES

2000-01 FIRST QUARTER

QUARTERLY UPDATE - JUNE 30, 2000

TR  
200  
Government  
Publications  
Ontario  
Ministry of Finance

## Fiscal Summary (\$ Millions)

	Interim 1999-00	2000-01		
		Budget Plan	Current Outlook	In-Year Change
Revenue	62,472	62,060	62,063	3
Expenditure				
Programs	47,581	49,525	49,536	11
Restructuring and Other Charges	226	--	--	--
Total Program Expenditure	47,807	49,525	49,536	11
Capital	4,511	2,075	2,067	(8)
Public Debt Interest				
Provincial	8,980	8,940	8,940	--
Ontario Hydro Successor Companies	520	520	520	--
Total Expenditure	61,818	61,060	61,063	3
Reserve	--	1,000	1,000	--
<b>SURPLUS / (DEFICIT)</b>	<b>654</b>	<b>0</b>	<b>0</b>	<b>--</b>

## HIGHLIGHTS

### 2000-01 IN-YEAR PERFORMANCE

#### BALANCED BUDGET OUTLOOK

- ♦ The 2000-01 fiscal outlook is on track with the Budget Plan. As of June 30, 2000, a balanced budget is projected, unchanged from the Budget Plan.

#### REVENUE AT \$62.1 BILLION

- ♦ The revenue outlook, at \$62,063 million, is up \$3 million from the Budget Plan.

#### EXPENDITURE AT \$61.1 BILLION

- ♦ Total expenditure, at \$61,063 million, is up \$3 million from the Budget Plan.

#### RESERVE AT \$1 BILLION

- ♦ Ontario's 2000-01 fiscal plan includes a \$1 billion reserve designed to protect the balanced budget against unexpected and adverse changes in the economic and fiscal outlook. The reserve will be available for debt reduction if not needed.

For further information contact  
Communications Services (416) 325-0333  
Frost Building North, Queen's Park  
Toronto M7A 1Z1

Ce rapport est disponible en français.  
Renseignements : Services des communications  
(416) 325-0333  
Édifice Frost Nord, Queen's Park, Toronto M7A 1Z1

**FISCAL PERFORMANCE****REVENUE**

- ◆ Revenue at \$62,063 million is up \$3 million from the Budget Plan due to an increase of \$3 million in non-tax revenue for policing services provided by the OPP to the Town of Collingwood, Lambton County and the amalgamated Town of Tecumseh.

**OPERATING EXPENDITURE**

- ◆ Net operating expenditure, at \$58,996 million, is up \$11 million from the Budget Plan. Major changes this quarter are as follows:
  - ◆ Ministry of Education: An additional \$98 million, fully offset from the Contingency Fund, to implement a reduction in average class size in secondary schools to 21 students.
  - ◆ Ministry of the Environment: An additional \$4 million, fully offset from the Contingency Fund, for the continuation of funding for the Climate Change initiative.
  - ◆ Ministry of Natural Resources: An increase of \$8 million due to the transfer of GeoSmart Land Information funding from capital expenditure to operating expenditure.
  - ◆ Ministry of the Solicitor General: An additional \$3 million for OPP policing services contracts with the Town of Collingwood, Lambton County and the amalgamated Town of Tecumseh.

**PUBLIC DEBT INTEREST**

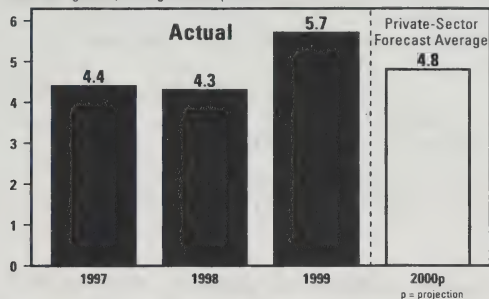
- ◆ The Public Debt Interest forecast of \$9,460 million, consisting of \$8,940 million related to the Province's borrowing on its own behalf and \$520 million related to the Province's equity ownership of Ontario Hydro successor companies, is unchanged from the Budget.

**CAPITAL EXPENDITURE**

- ◆ Capital expenditure at \$2,067 million is down \$8 million. The major change this quarter was:
  - ◆ Ministry of Natural Resources: An expenditure decrease of \$8 million due to the transfer of GeoSmart Land Information funding from capital expenditure to operating expenditure.

## Strong Economic Growth Continues

Real GDP growth, average annual per cent

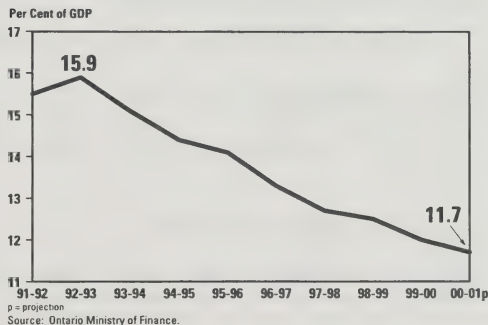


Sources: Ontario Ministry of Finance, Survey of Private-Sector Forecasts (June 2000).

The Ontario economy has continued to grow at a healthy pace. Consumer spending, business investment, housing and exports are all contributing to economic growth. Tax cuts, solid job creation and income gains are providing the basis for a sustained expansion. Private-sector economists are, on average, forecasting real growth of 4.8 per cent in 2000.

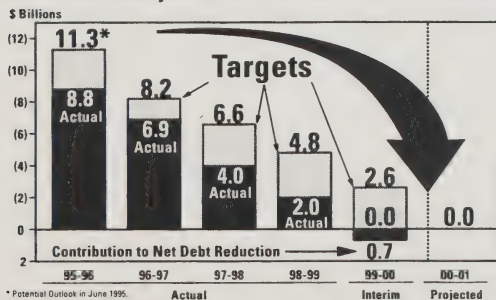
The Government's commitment to controlling spending is demonstrated by significant reductions in program spending as a per cent of Ontario Gross Domestic Product (GDP). A weak economy and rapidly increasing spending pushed program expenditure as a per cent of GDP up to 15.9 per cent in 1992-93. By focusing on priorities such as restoring the economy and increasing health care and education classroom spending, while at the same time finding improvements in the efficiency of government services, program spending is projected to decline to 11.7 per cent of GDP in 2000-01.

## Program Spending as a Per Cent of GDP



Source: Ontario Ministry of Finance.

## Balanced Budget Plan Achieved One Year Early



\* Potential Outlook in June 1995.  
Source: Ontario Ministry of Finance.

In the fall of 1995 the Government set out its Balanced Budget Plan to eliminate the deficit by the year 2000-01. By recording a \$654 million surplus for the fiscal year 1999-00, the 2000 Ontario Budget delivered, one year ahead of schedule, on the Government's commitment to balance the budget. With a balanced budget in 1999-00 and 2000-01, Ontario is on track to achieve back-to-back balanced budgets for the first time in more than half a century.

## **STRONG JOB GROWTH IN 2000**

- ◆ During the first six months of 2000, Ontario employment is up 181,000 compared to the same period in 1999.
- ◆ In June 2000, Ontario's unemployment rate was 5.4%, down substantially from 6.1% a year earlier.

## **STRONG CONSUMER SPENDING GROWTH IN 2000**

- ◆ Over the first four months of 2000, Ontario retail sales are up 7.4% from a year ago.
- ◆ Over the first five months of 2000, unit auto sales in Ontario have jumped 6.7%.

## **HOUSING MARKET REMAINS STRONG**

- ◆ Over the first six months of 2000, housing starts in Ontario rose 3.8% from a year ago.
- ◆ Ontario home resales rose 1.6% over the first five months of 2000, compared to a year ago.
- ◆ Over the first five months of 2000, Toronto new home sales increased 20.3% from a year ago.

## **MANUFACTURING SHIPMENTS GROWING**

- ◆ Over the first four months of 2000, Ontario manufacturing shipments rose 8.3% from a year ago.

## **AUTO PRODUCTION INCREASING IN 2000**

- ◆ Ontario auto production is up 5.1 % over the first five months of 2000, on track for another record production year.

## **ONTARIO EXPORTS RISING IN 2000**

- ◆ Over the first five months of 2000, Ontario international merchandise exports increased 7.8% from a year ago.

## **ONTARIO INFLATION REMAINS LOW IN 2000**

- ◆ Ontario's inflation rate as measured by the Consumer Price Index (CPI) was 3.2% in June 2000. Excluding energy prices, the CPI increase was 1.6% in June.



KEY ECONOMIC INDICATORS								
(% Change from previous period, unless indicated otherwise)								
		Annual			Quarterly			
		1999	98:3	98:4	99:1	99:2	99:3	99:4
<b>Output (Seasonally Adjusted)</b>								
Real GDP	Ontario	5.7	0.8	10.4	6.2	5.6	5.5	4.0
Nominal GDP	Ontario	7.1	(0.5)	10.3	9.3	7.8	8.4	4.8
		Annual	Monthly 2000					
		1999	Jan	Feb	Mar	Apr	May	June
<b>Other Indicators (Seasonally Adjusted)</b>								
<b>Labour Markets</b>								
Labour Force (Change in 000s)	Ontario	157	30	14	22	(5)	4	4
Employment (Change in 000s)	Ontario	198	21	9	28	2	4	8
Private Sector	Ontario	187	18	(4)	28	2	10	8
Public Sector	Ontario	11	3	12	1	0	(6)	1
Unemployment Rate (%)	Ontario	6.3	5.7	5.7	5.6	5.5	5.5	5.4
<b>Household Sector</b>								
Retail Sales	Ontario	7.3	0.7	(1.1)	2.0	(1.0)	N/A	N/A
Urban Housing Starts (000s)	Ontario	62.9	64.4	80.0	78.4	70.6	53.2	57.2
New Home Sales*	Toronto	33.1	28.8	30.4	29.0	8.6	11.3	N/A
MLS Home Resales*	Ontario	7.4	17.6	8.2	5.9	(9.2)	(1.8)	N/A
<b>Manufacturing Shipments</b>								
Transportation Equipment	Ontario	11.7	0.8	(2.8)	4.4	(3.3)	N/A	N/A
<b>Consumer Price Index*</b>	Ontario	1.9	2.4	3.1	3.4	2.2	2.5	3.2

Sources: Statistics Canada, Ontario Ministry of Finance, Canada Mortgage and Housing Corporation, Greater Toronto Home Builders Association, Canadian Real Estate Association and Ward's Automotive.

\* % change from a year earlier





---

# **ONTARIO FINANCES**

## **FINANCIAL TABLES**

# REVENUE

(\$ Millions)	2000-01			
	Interim 1999-00	Budget Plan	Current Outlook	In-Year Change
<b>TAXATION REVENUE</b>				
Personal Income Tax	17,505	17,530	17,530	--
Retail Sales Tax	12,784	13,400	13,400	--
Corporations Tax	8,596	8,765	8,765	--
Employer Health Tax	3,125	3,320	3,320	--
Gasoline Tax	2,175	2,260	2,260	--
Fuel Tax	635	665	665	--
Tobacco Tax	481	510	510	--
Land Transfer Tax	570	580	580	--
Mining Profits Tax	53	55	55	--
Race Tracks Tax	5	5	5	--
Preferred Share Dividends Tax	35	40	40	--
Other Taxation	228	193	193	--
	<b>46,192</b>	<b>47,323</b>	<b>47,323</b>	<b>--</b>
<b>GOVERNMENT OF CANADA</b>				
Canada Health and Social Transfer	3,767	3,548	3,548	--
Increase in CHST Allocation	190	552	552	--
CHST Supplements	755	757	757	--
Social Housing	503	533	533	--
Student Assistance	171	171	171	--
Indian Welfare Services	112	114	114	--
Bilingualism Development	65	64	64	--
Employability Assistance for People with Disabilities	66	66	66	--
Canada-Ontario Infrastructure Works	25	--	--	--
Other	234	227	227	--
	<b>5,888</b>	<b>6,032</b>	<b>6,032</b>	<b>--</b>
<b>INCOME FROM GOVERNMENT ENTERPRISES</b>				
Ontario Lottery and Gaming Corporation*	1,811	1,695	1,695	--
Liquor Control Board of Ontario	844	915	915	--
Ontario Hydro Successor Companies	820	795	795	--
Other	32	18	18	--
	<b>3,507</b>	<b>3,423</b>	<b>3,423</b>	<b>--</b>
<b>OTHER REVENUE</b>				
Vehicle and Driver Registration Fees	923	920	920	--
Other Fees and Licences	637	670	670	--
Liquor Licence Revenue	528	530	530	--
Royalties	294	240	240	--
Sales and Rentals	2,339	790	790	--
Fines and Penalties	40	35	35	--
Local Services Realignment - Reimbursement of Expenditure	1,665	1,572	1,572	--
Miscellaneous	459	525	528	3
	<b>6,885</b>	<b>5,282</b>	<b>5,285</b>	<b>3</b>
<b>TOTAL REVENUE</b>	<b>62,472</b>	<b>62,060</b>	<b>62,063</b>	<b>3</b>
<b>TOTAL REVENUE EXCLUDING HIGHWAY 407 SALE</b>	<b>60,892</b>	<b>62,060</b>	<b>62,063</b>	<b>3</b>

\* Effective April 1, 2000, the Ontario Lottery Corporation and Ontario Casino Corporation merged to form the Ontario Lottery and Gaming Corporation

# OPERATING EXPENDITURE

MINISTRY	Interim 1999-00	2000-01		
		Budget Plan	Current Outlook	In-Year Change
Agriculture, Food and Rural Affairs	328	446	446	--
Attorney General	803	882	882	--
Board of Internal Economy	155	121	121	--
Citizenship, Culture and Recreation	455	398	398	--
Community and Social Services	7,604	7,504	7,504	--
Consumer and Commercial Relations	135	146	146	--
Correctional Services	562	591	591	--
Economic Development and Trade	94	99	99	--
Education	7,823	8,026	8,124	98
School Board Phase-in Funding	268	--	--	--
Teachers' Pension Plan (TPP)	(363)	(711)	(711)	--
Energy, Science and Technology	128	241	241	--
Environment	174	158	162	4
Executive Offices	21	22	22	--
Finance - Own Account	739	787	787	--
Public Debt Interest				
Provincial	8,980	8,940	8,940	--
Ontario Hydro Successor Companies	520	520	520	--
Community Reinvestment Fund	521	537	537	--
Health and Long-Term Care	20,600	21,988	21,988	--
Major One-Time Health Care Costs	286	--	--	--
Intergovernmental Affairs	4	5	5	--
Labour	101	100	100	--
Management Board Secretariat	355	298	298	--
Public Service/OPSEU Pension Plan	(144)	(248)	(248)	--
Contingency Fund	--	1,165	1,063	(102)
OPS Employee Severance (Net)	77	--	--	--
Municipal Affairs and Housing	1,725	1,644	1,644	--
Native Affairs Secretariat	13	16	16	--
Natural Resources	458	376	384	8
Northern Development and Mines	114	274	274	--
Office of Francophone Affairs	4	4	4	--
Solicitor General	827	856	859	3
Tourism	70	76	76	--
Training, Colleges and Universities	3,252	3,387	3,387	--
Transportation	618	537	537	--
Year-End Savings	--	(200)	(200)	--
<b>TOTAL OPERATING EXPENDITURE</b>	<b>57,307</b>	<b>58,985</b>	<b>58,996</b>	<b>11</b>

# CAPITAL EXPENDITURE

(\$ Millions)		2000-01		
		Interim 1999-00	Budget Plan	Current Outlook
MINISTRY				In-Year Change
Agriculture, Food and Rural Affairs	1	80	80	--
Attorney General	59	64	64	--
Citizenship, Culture and Recreation	15	71	71	--
Community and Social Services	20	20	20	--
Correctional Services	124	156	156	--
Education	54	5	5	--
Energy, Science and Technology	500	--	--	--
Environment	7	14	14	--
Water Protection Fund	160	51	51	--
Finance	12	3	3	--
SuperBuild Millennium Partnerships	--	200	200	--
Health and Long-Term Care	340	291	291	--
Major One-Time Capital Costs	1,004	--	--	--
Management Board Secretariat	18	12	12	--
Municipal Affairs and Housing	--	2	2	--
Native Affairs Secretariat	6	8	8	--
Natural Resources	97	83	75	(8)
Northern Development and Mines	211	273	273	--
Solicitor General	--	8	8	--
Tourism	3	11	11	--
Training, Colleges and Universities	1,028	44	44	--
Transportation	852	799	799	--
Year-End Savings	--	(120)	(120)	--
<b>TOTAL CAPITAL EXPENDITURE</b>	<b>4,511</b>	<b>2,075</b>	<b>2,067</b>	<b>(8)</b>



# ONTARIO'S 2000-01 FINANCING PROGRAM

(\$ Millions)	2000-01			
	Interim 1999-00	Budget Plan	Current Outlook	Change from Budget
Deficit / (Surplus)	(654)	0	0	--
Accruals and Consolidations	872	5,205	5,205	--
Net Borrowing on Behalf of Agencies	(2,468)	--	--	--
Increase / (Decrease) in Liquid Reserves	3,569	(4,500)	(4,500)	--
Net Cash Requirements	1,319	705	705	--
Maturing Debt	7,885	8,425	8,425	--
Early Redemptions and Debt Buybacks	1,246	500	1,200	700
Total Financing Requirements	10,450	9,630	10,330	700
Sources of Funds:				
Canada Pension Plan Borrowing	870	1,038	1,038	--
Increase / (Decrease) in Short-term Borrowing	1,126	--	--	--
Long-term Borrowing*	8,156	8,592	9,292	700
Other Sources	298	--	--	--
<b>TOTAL FINANCING</b>	<b>10,450</b>	<b>9,630</b>	<b>10,330</b>	<b>700</b>

\* Includes Ontario Savings Bonds

For the purposes of the Financing table, budgetary surpluses are expressed as negative numbers.

## 2000-01 FINANCING ACTIVITIES TO DATE

(\$ Millions)	Issued (as of June 30)	Remaining	% Completed
LONG-TERM PUBLIC FINANCING (INCLUDING CPP)	5,773	4,557	55.9%

♦ Long-term financing undertaken in this quarter totalled \$5,773 million as follows:

	(\$ Million)
Ontario Savings Bonds	3,372
Canadian Dollar Issues	1,621
Yen Issues	352
Canada Pension Plan	428
	<b>5,773</b>

♦ The 2000 Savings Bonds Program has raised a total of \$3,372 million.

♦ The increase of \$700 million in total financing requirements is due to larger than projected redemptions of Ontario Savings Bonds.

♦ The Net Provincial Debt is forecast at \$114.1 billion at March 31, 2001, unchanged from the level at March 31, 2000. If the \$1 billion reserve is not needed it will be applied to debt reduction, lowering the Net Provincial Debt to \$113.1 billion.



## Fiscal Summary (\$ Millions)

	Actual 1999-00	2000-01		
		Budget Plan	Current Outlook	In-Year Change
<b>Revenue</b>	62,931	62,060	64,053	1,993
<b>Expenditure</b>				
Programs	46,649	49,525	50,172	647
Restructuring and Other Charges	211	--	--	--
Accounting Changes from 1999-00 Public Accounts*	720	--	606	606
<b>Total Program Expenditure</b>	47,580	49,525	50,778	1,253
<b>Capital*</b>	4,832	2,075	2,209	134
<b>Public Debt Interest</b>				
Provincial	8,977	8,940	8,910	(30)
Electricity Sector	520	520	520	--
<b>Total Expenditure*</b>	61,909	61,060	62,417	1,357
<b>Reserve</b>	--	1,000	--	(1,000)
<b>Net Impact of Electricity Restructuring to be Recovered from Ratepayers**</b>	354	--	270	270
<b>SURPLUS / (DEFICIT)</b>	<b>668</b>	<b>0</b>	<b>1,366</b>	<b>1,366</b>

\* Accounting changes introduced in the 1999-00 Public Accounts increased total 2000-01 expenditure in-year by \$746 million, representing more than 50 per cent of the in-year change from Budget Plan.

\*\* Reflects the estimated excess of expenditure over revenue of the Ontario Electricity Financial Corporation (OEFC). Consistent with the principles of electricity restructuring, OEFC debt is to be recovered from ratepayers, not taxpayers.

## HIGHLIGHTS

### 1999-00 PUBLIC ACCOUNTS

- ◆ The 1999-00 Public Accounts, released November 1, 2000, reported the 1999-00 audited actual surplus at \$668 million, up \$14 million from the \$654 million interim estimate in the 2000 Ontario Budget.

### 2000-01 IN-YEAR PERFORMANCE

#### SURPLUS AT \$1.4 BILLION

- ◆ The 2000-01 surplus is projected at \$1,366 million, as compared to a balanced budget outlook in the 2000 Ontario Budget and First Quarter Ontario Finances.

#### REVENUE AT \$64.1 BILLION

- ◆ The revenue outlook, at \$64,053 million, is up \$1,993 million from the Budget Plan, and up \$1,990 million from the First Quarter Ontario Finances, mainly due to increased tax revenue as a result of the strength of the economy and the revenue impact of consolidating the Independent Electricity Market Operator as a government organization.

#### IN-YEAR EXPENDITURE UP \$0.6 BILLION

- ◆ In-year decisions increased total expenditure \$611 million from the 2000 Budget Plan and \$608 million from the First Quarter Ontario Finances, mainly due to an additional \$498 million for the Hospitals' Comprehensive Strategy and for emergency health services, and \$138 million for Public Service Pension Plan expenditures.

#### ACCOUNTING CHANGES INCREASE TOTAL EXPENDITURE BY \$0.7 BILLION

- ◆ Accounting changes introduced in the 1999-00 Public Accounts increased 2000-01 total expenditure by \$746 million due to an increase in the Provision for the Electricity Sector and the expenditure impact of consolidating the Independent Electricity Market Operator and the Metro Toronto Convention Centre as government organizations. Revenue increased by \$358 million in 2000-01 as a result of these accounting changes.

#### RESERVE APPLIED TO REDUCE NET PROVINCIAL DEBT

- ◆ Based on improvements in the economic and revenue outlook, the \$1 billion reserve has been eliminated and applied to Net Provincial Debt reduction.

## FISCAL PERFORMANCE

### REVENUE

- ◆ Total revenue is projected to be \$64,053 million, up \$1,993 million from the 2000 Ontario Budget Plan, and \$1,990 million above the First Quarter Ontario Finances outlook. Major changes this quarter are:
  - ◆ Personal Income Tax revenue is \$1,200 million higher due to the vigorous pace of growth of employment and incomes in Ontario.
  - ◆ Retail Sales Tax is \$200 million higher as a result of strong growth in consumer and business spending.
  - ◆ The Employer Health Tax outlook is increased by \$60 million due to robust job creation.
  - ◆ Net income from the Ontario Lottery and Gaming Corporation is increased by \$170 million due to the performance of slot machines at race tracks.
  - ◆ Other Income from Government Enterprises is increased by \$5 million as a result of the change in status of the Metro Toronto Convention Centre from government enterprise to government organization. With this change in status, a \$5 million net loss for the Metro Toronto Convention Centre, which was included in the 2000 Budget outlook, is now excluded from Income from Government Enterprises.
  - ◆ Sales and Rentals is increased by \$45 million as a result of the change in status of the Metro Toronto Convention Centre from government enterprise to government organization.
  - ◆ Miscellaneous Other Revenue is \$310 million higher due to \$308 million for the consolidation of the Independent Electricity Market Operator as a government organization, and \$2 million for policing services provided for the Town of Tillsonburg, the County of Brant and the Township of Red Rock.

### OPERATING EXPENDITURE

- ◆ Net operating expenditure, at \$60,208 million, is up \$1,223 million from the Budget Plan and up \$1,212 million from the First Quarter Ontario Finances. Major changes this quarter are as follows:
  - ◆ Ministry of the Attorney General: An increase of \$1 million to implement legislation relating to domestic violence intervention orders (restraining orders) and to fund the Organized Crime Summit.
  - ◆ Ministry of Education: A decrease of \$24 million based on updated estimates of improved Teachers' Pension Plan funding gains.
  - ◆ Ministry of Energy, Science and Technology: An additional \$283 million to reflect the operating component of the consolidation of the Independent Electricity Market Operator as a government organization, consistent with the treatment in the 1999-00 Public Accounts.
  - ◆ Ministry of Environment: An additional \$12 million for Operation Clean Water; and an additional \$10 million for the launch of the Environmental SWAT Team Initiative, partially offset by \$5 million from the Contingency Fund.
  - ◆ Ministry of Finance: Consistent with the principles of electricity restructuring, an amount of \$275 million has been added to the Provision for the Electricity Sector. This amount is equal to the net income of Ontario Power Generation and Hydro One in excess of the Province's interest expenditure on its equity investment in the electricity sector, consistent with the treatment in the 1999-00 Public Accounts.
  - ◆ Ministry of Health and Long-Term Care: An additional \$398 million for the Hospitals' Comprehensive Strategy to support extensive modernization of hospital services; an investment of \$100 million to improve access to emergency health services and to implement the flu vaccination program; an expenditure increase of \$21 million in the Long-Term Care program, for increased utilization in community services and to extend School Health Support services to children attending private schools or schooled at home, fully offset from the Contingency Fund; and savings of \$3 million arising from the signing of a new contract for the Ontario Health Network.



## OPERATING EXPENDITURE CONT'D

- ◆ Management Board Secretariat: An additional \$11 million for the Smart Card Project, fully offset from the Contingency Fund; an additional \$1 million to investigate possible new facilities for the Archives of Ontario; and an additional \$138 million for providing various benefit improvements and a contribution holiday to members of the Public Service Pension Plan, similar to changes in the OPSEU Pension Plan.
- ◆ Ministry of Municipal Affairs and Housing: An expenditure increase of \$1 million as a result of the transfer from the Ontario Native Affairs Secretariat of the Off-Reserve Housing initiative to build and renovate off-reserve native housing in Northern Ontario.
- ◆ Ontario Native Affairs Secretariat: An expenditure decrease of \$1 million as a result of the transfer of the Off-Reserve Housing initiative to the Ministry of Municipal Affairs and Housing.
- ◆ Ministry of Natural Resources: An increase of \$25 million to implement and expand Ontario's Living Legacy, fully offset from the Contingency Fund; an additional \$4 million to fund new responsibilities resulting from electricity restructuring, including the development of water management plans and a new business relationship with the water power industry; and an additional \$1 million for resource-based tourism diversification, fully offset from the Contingency Fund.
- ◆ Ministry of the Solicitor General: An additional \$3 million for OPP municipal policing services contracts (County of Brant, Town of Tillsonburg and Township of Red Rock, offset by revenue) and the Anishnabek First Nations Policing Agreement; and an increase of \$1 million for enforcement and effective use of domestic violence intervention orders.
- ◆ Ministry of Tourism: An increase of \$48 million as a result of the consolidation of the Metro Toronto Convention Centre as a government organization, consistent with the treatment in the 1999-00 Public Accounts.

## PUBLIC DEBT INTEREST

- ◆ The Public Debt Interest forecast of \$9,430 million, consisting of \$8,910 million related to the Province's borrowing on its own behalf and \$520 million related to the interest on debt issued for investment in the Electricity Sector, is down \$30 million from the Budget Plan and the First Quarter Ontario Finances, due to lower-than-expected interest rates.

## CAPITAL EXPENDITURE

- ◆ Capital expenditure at \$2,209 million is up \$134 million from the Budget Plan and up \$142 million from the First Quarter Ontario Finances. The major changes this quarter were:
- ◆ Ministry of Energy, Science and Technology: An additional \$140 million to reflect the capital component of the consolidation of the Independent Electricity Market Operator as a government organization, consistent with the treatment in the 1999-00 Public Accounts.
- ◆ Ontario Native Affairs Secretariat: An additional \$2 million for the Aboriginal Community Capital Infrastructure Program.



## Statement of Financial Transactions (\$ Millions)

	Actual 1996-97	Actual 1997-98	Actual 1998-99	Actual 1999-00	Q2 2000-01
<b>Revenue</b>	49,450	52,518	55,786	62,931	64,053
<b>Expenditure</b>					
Programs*	42,956	43,709	46,509	47,369	50,778
Restructuring and Other Charges	2,180	1,595	76	211	--
Total Program Expenditure	45,136	45,304	46,585	47,580	50,778
Capital*	2,612	2,451	2,187	4,832	2,209
Public Debt Interest					
Provincial	8,607	8,729	9,016	8,977	8,910
Electricity Sector	--	--	--	520	520
Total Expenditure	56,355	56,484	57,788	61,909	62,417
Reserve	--	--	--	--	--
Net Impact of Electricity Restructuring to be Recovered from Ratepayers**	--	--	--	354	270
<b>SURPLUS / (DEFICIT)</b>	<b>(6,905)</b>	<b>(3,966)</b>	<b>(2,002)</b>	<b>668</b>	<b>1,366</b>
<b>NET PROVINCIAL DEBT***</b>	<b>108,769</b>	<b>112,735</b>	<b>114,737</b>	<b>113,715</b>	<b>112,079</b>

\* 1996-97 to 1998-99 restated to reflect reclassification of leases from capital to operating. Program expenditure totals in 1999-00 and 2000-01 reflect the impact of accounting changes introduced in the 1999-00 Public Accounts.

\*\* Reflects the estimated excess of expenditure over revenue of the Ontario Electricity Financial Corporation (OEFC). Consistent with the principles of electricity restructuring, OEFC debt is to be recovered from ratepayers, not taxpayers.

\*\*\* Net Provincial Debt represents total Liabilities less Financial Assets.

## Selected Economic and Fiscal Statistics

	Actual 1996-97	Actual 1997-98	Actual 1998-99	Actual 1999-00	Q2 2000-01
Gross Domestic Product (GDP) at Market Prices (\$ Millions)	335,843	357,300	372,630	396,775	426,755
Ontario Population (000s) - July 1	11,101	11,249	11,386	11,517	11,669
Ontario Revenue as a per cent of GDP	14.7	14.7	15.0	15.9	15.0
Ontario Revenue Growth (%)	0.0	6.2	6.2	12.8	1.8
Ontario Total Spending as a per cent of GDP	16.8	15.8	15.5	15.6	14.6
Ontario Total Spending Growth (%)	(3.3)	0.2	2.3	7.1	0.8
Ontario PDI as a Share of Revenue (%)	17.4	16.6	16.2	15.1	14.7
Ontario PDI as a Share of Total Spending (%)	15.3	15.5	15.6	15.3	15.1
Ontario PDI as a per cent of GDP	2.6	2.4	2.4	2.4	2.2
Ontario Surplus / (Deficit) as a per cent of GDP	(2.1)	(1.1)	(0.5)	0.2	0.3
Net Provincial Debt per capita	9,798	10,022	10,077	9,874	9,605
Net Provincial Debt as a per cent of GDP	32.4	31.6	30.8	28.7	26.3

Sources: Ontario Ministry of Finance and Statistics Canada.

**VIBRANT ONTARIO ECONOMY IN 2000**

- ◆ The Ontario economy continued to grow strongly in the second quarter of the calendar year (April-June period), with real GDP up 5.3 per cent at annual rates. This followed growth of 5.2 per cent in the first quarter.

**STRONG JOB GROWTH IN 2000**

- ◆ During the first eleven months of 2000, Ontario employment was up 184,000 compared to the same period in 1999.
- ◆ In November, Ontario employment rose 35,400 following a 27,400 job gain in October. The unemployment rate was 6.0 per cent.

**STRONG CONSUMER SPENDING GROWTH IN 2000**

- ◆ Over the first nine months of 2000, Ontario retail sales were up 7.9 per cent from a year ago and unit auto sales jumped 6.5 per cent.

**HOUSING MARKET REMAINS STRONG**

- ◆ Over the first ten months of 2000, housing starts in Ontario rose 8.7 per cent from a year ago.
- ◆ Over the first ten months of 2000, Toronto new home sales increased 16.5 per cent from a year ago.

**BUSINESS GROWING**

- ◆ Over the first nine months of 2000, Ontario manufacturing shipments rose 7.9 per cent from a year ago.
- ◆ Ontario international merchandise exports increased 6.4 per cent over the same period.

**ONTARIO INFLATION MODERATE IN 2000**

- ◆ Ontario's inflation rate as measured by the Consumer Price Index (CPI) was 2.9 per cent in October 2000. Excluding energy prices, the CPI increase was 1.9 per cent in October.

## KEY ECONOMIC INDICATORS

(% Change from previous period, unless indicated otherwise)

		Annual		Quarterly				
		1999	99:1	99:2	99:3	99:4	00:1	00:2
<b>Output (Seasonally Adjusted at Annual Rates)</b>								
Real GDP	Ontario	6.1	6.7	6.6	8.0	5.5	5.2	5.3
Nominal GDP	Ontario	6.5	8.2	8.4	7.2	3.9	10.1	8.2

		Annual	Monthly 2000					
		1999	June	July	Aug	Sept	Oct	Nov
<b>Other Indicators (Seasonally Adjusted)</b>								
<b>Labour Markets</b>								
Labour Force (Change in 000s)	Ontario	157	4	23	53	7	33	44
Employment (Change in 000s)	Ontario	198	8	29	5	18	27	35
Private Sector	Ontario	187	8	23	2	22	29	46
Public Sector	Ontario	11	1	7	2	(4)	(1)	(11)
Unemployment Rate (%)	Ontario	6.3	5.4	5.3	6.0	5.8	5.9	6.0
<b>Household Sector</b>								
Retail Sales	Ontario	7.3	0.6	1.5	0.4	0.6	N/A	N/A
Urban Housing Starts (000s)	Ontario	62.9	57.2	80.8	62.1	67.4	73.5	N/A
New Home Sales*	Toronto	33.1	4.6	14.1	6.6	29.7	1.4	N/A
MLS Home Resales*	Ontario	7.4	(6.9)	(10.5)	2.5	(3.6)	N/A	N/A
<b>Manufacturing Shipments</b>								
Transportation Equipment	Ontario	11.7	1.5	(1.7)	1.3	0.1	N/A	N/A
<b>Consumer Price Index*</b>								
	Ontario	21.3	0.8	(3.0)	1.8	0.8	N/A	N/A
	Ontario	1.9	3.2	3.1	2.5	2.8	2.9	N/A

Sources: Statistics Canada, Ontario Ministry of Finance, Canada Mortgage and Housing Corporation, Greater Toronto Home Builders Association, Canadian Real Estate Association and Ward's Automotive.

\* % change from a year earlier  
N/A = Data not available

# **ONTARIO FINANCES**

## **FINANCIAL TABLES**

# REVENUE

(\$ Millions)	Actual 1999-00	2000-01		
		Budget Plan	Current Outlook	In-Year Change
<b>TAXATION REVENUE</b>				
Personal Income Tax	17,617	17,530	18,730	1,200
Retail Sales Tax	12,879	13,400	13,600	200
Corporations Tax	8,095	8,765	8,765	--
Employer Health Tax	3,118	3,320	3,380	60
Gasoline Tax	2,154	2,260	2,260	--
Fuel Tax	665	665	665	--
Tobacco Tax	481	510	510	--
Land Transfer Tax	565	580	580	--
Mining Profits Tax	50	55	55	--
Race Tracks Tax	6	5	5	--
Preferred Share Dividends Tax	33	40	40	--
Other Taxation	218	193	193	--
	<b>45,881</b>	<b>47,323</b>	<b>48,783</b>	<b>1,460</b>
<b>GOVERNMENT OF CANADA</b>				
Canada Health and Social Transfer	3,777	3,548	3,548	--
Increase in CHST Allocation	190	552	552	--
CHST Supplements	755	757	757	--
Social Housing	466	533	533	--
Student Assistance	170	171	171	--
Indian Welfare Services	85	114	114	--
Bilingualism Development	65	64	64	--
Employability Assistance for People with Disabilities	65	66	66	--
Canada-Ontario Infrastructure Works	19	--	--	--
Other	293	227	227	--
	<b>5,885</b>	<b>6,032</b>	<b>6,032</b>	<b>--</b>
<b>INCOME FROM GOVERNMENT ENTERPRISES</b>				
Ontario Lottery and Gaming Corporation*	1,924	1,695	1,865	170
Liquor Control Board of Ontario	845	915	915	--
Ontario Power Generation Inc. and Hydro One Inc.	903	795	795	--
Other	36	18	23	5
	<b>3,708</b>	<b>3,423</b>	<b>3,598</b>	<b>175</b>
<b>OTHER REVENUE</b>				
Vehicle and Driver Registration Fees	911	920	920	--
Other Fees and Licences	667	670	670	--
Liquor Licence Revenue	539	530	530	--
Royalties	345	240	240	--
Sales and Rentals	2,133	790	835	45
Fines and Penalties	41	35	35	--
Local Services Realignment - Reimbursement of Expenditure	1,678	1,572	1,572	--
Miscellaneous	1,143	525	838	313
	<b>7,457</b>	<b>5,282</b>	<b>5,640</b>	<b>358</b>
<b>TOTAL REVENUE</b>	<b>62,931</b>	<b>62,060</b>	<b>64,053</b>	<b>1,993</b>

\* Effective April 1, 2000, the Ontario Lottery Corporation and Ontario Casino Corporation merged to form the Ontario Lottery and Gaming Corporation.



# OPERATING EXPENDITURE

(\$ Millions)		2000-01		
MINISTRY	Actual 1999-00	Budget Plan	Current Outlook	In-Year Change
Agriculture, Food and Rural Affairs	347	446	446	--
Attorney General	844	882	883	1
Board of Internal Economy	154	121	121	--
Citizenship, Culture and Recreation	337	398	398	--
Community and Social Services	7,512	7,504	7,504	--
Consumer and Commercial Relations	134	146	146	--
Correctional Services	563	591	591	--
Economic Development and Trade	94	99	99	--
Education	7,702	8,026	8,124	98
School Board Phase-in Funding	268	--	--	--
Teachers' Pension Plan (TPP)	(363)	(711)	(735)	(24)
Energy, Science and Technology	126	241	241	--
Environment	174	158	184	26
Executive Offices	19	22	22	--
Finance - Own Account	548	787	787	--
Public Debt Interest				
Provincial	8,977	8,940	8,910	(30)
Electricity Sector	520	520	520	--
Community Reinvestment Fund	521	537	537	--
Health and Long-Term Care	20,378	21,988	22,504	516
Major One-Time Operating Costs	286	--	--	--
Intergovernmental Affairs	4	5	5	--
Labour	101	100	100	--
Management Board Secretariat	170	298	310	12
Public Service/OPSEU Pension Plan	(165)	(248)	(110)	138
Contingency Fund	--	1,165	1,000	(165)
OPS Employee Severance (Net)	88	--	--	--
Municipal Affairs and Housing	1,665	1,644	1,645	1
Native Affairs Secretariat	13	16	15	(1)
Natural Resources	460	376	414	38
Northern Development and Mines	122	274	274	--
Office of Francophone Affairs	3	4	4	--
Solicitor General	814	856	863	7
Tourism	70	76	76	--
Training, Colleges and Universities	3,284	3,387	3,387	--
Transportation	587	537	537	--
Year-End Savings	--	(200)	(200)	--
Accounting Changes*				
Energy, Science and Technology – Independent Electricity Market Operator	303	--	283	283
Finance – Provision for Electricity Sector	383	--	275	275
Tourism – Metro Toronto Convention Centre	34	--	48	48
<b>TOTAL OPERATING EXPENDITURE</b>	<b>57,077</b>	<b>58,985</b>	<b>60,208</b>	<b>1,223</b>

\* Accounting changes introduced in the 1999-00 Public Accounts increased 2000-01 operating expenditure in-year by \$606 million.

# CAPITAL EXPENDITURE

(\$ Millions)		2000-01		
		Budget Plan	Current Outlook	In-Year Change
MINISTRY	Actual 1999-00			
Agriculture, Food and Rural Affairs	1	80	80	--
Attorney General	62	64	64	--
Citizenship, Culture and Recreation	75	71	71	--
Community and Social Services	20	20	20	--
Correctional Services	124	156	156	--
Education	52	5	5	--
Energy, Science and Technology	500	--	--	--
Environment	1	14	14	--
Water Protection Fund	160	51	51	--
Finance	7	3	3	--
SuperBuild Millennium Partnerships	--	200	200	--
Health and Long-Term Care	338	291	291	--
Major One-Time Capital Costs	1,004	--	--	--
Management Board Secretariat	13	12	12	--
Municipal Affairs and Housing	(10)	2	2	--
Native Affairs Secretariat	5	8	10	2
Natural Resources	96	83	75	(8)
Northern Development and Mines	212	273	273	--
Solicitor General	--	8	8	--
Tourism	2	11	11	--
Training, Colleges and Universities	1,028	44	44	--
Transportation	830	799	799	--
Year-End Savings	--	(120)	(120)	--
Accounting Changes*				
Energy, Science and Technology – Independent Electricity Market Operator	156	--	140	140
Tourism – Metro Toronto Convention Centre	156	--	--	--
<b>TOTAL CAPITAL EXPENDITURE</b>	<b>4,832</b>	<b>2,075</b>	<b>2,209</b>	<b>134</b>

\* Accounting changes introduced in the 1999-00 Public Accounts increased 2000-01 capital expenditure in-year by \$140 million.

# ONTARIO'S 2000-01 FINANCING PROGRAM

(\$ Millions)	Actual 1999-00	2000-01		
		Budget Plan	Current Outlook	Change from Budget
Deficit / (Surplus)	(668)	--	(1,366)	(1,366)
Accruals and Consolidations	623	5,205	5,430	225
Net Borrowing on Behalf of Agencies*	(2,758)	--	83	83
Increase / (Decrease) in Liquid Reserves	4,102	(4,500)	(4,500)	--
Net Cash Requirements	1,299	705	(353)	(1,058)
Maturing Debt**	7,895	8,425	8,239	(186)
Early Redemptions and Debt Buybacks	1,246	500	2,148	1,648
Total Financing Requirements	10,440	9,630	10,034	404
Sources of Funds:				
Canada Pension Plan Borrowing	870	1,038	805	(233)
Other Sources / (Uses)	295	--	(330)	(330)
Increase / (Decrease) in Short-Term Borrowing	608	--	--	--
Long-Term Public Borrowing***	8,667	8,592	9,559	967
<b>TOTAL FINANCING</b>	<b>10,440</b>	<b>9,630</b>	<b>10,034</b>	<b>404</b>

\* Includes other balance sheet changes.

\*\* Maturing debt is lower than Budget Plan due to the Province exercising its options on extendible bonds.

\*\*\*Includes Ontario Savings Bonds.

For the purposes of the Financing table, budget surpluses are expressed as negative numbers.

## 2000-01 FINANCING ACTIVITIES TO DATE

(\$ Millions)	Issued		
	(as of September 30)	Remaining	% Completed
LONG-TERM PUBLIC FINANCING (INCLUDING CPP)	7,265	3,099	70.1%

◆ Long-term financing undertaken in the second quarter totalled \$1,466 million as follows:

	(\$ Millions)
Canadian Dollar Issues	812
US Dollar Issues	471
Canada Pension Plan	183
	<b>1,466</b>

◆ Total financing requirements are \$404 million higher than in the 2000 Budget Plan, largely due to \$1,648 million higher-than-forecasted early redemptions of Ontario Savings Bonds and Ontario debt buybacks. This increase has been largely offset by lower cash requirements.

◆ Based on the projected surplus for 2000-01, Net Provincial Debt is forecast at \$112.1 billion at March 31, 2001. This is \$2.0 billion lower than the Budget Plan due to lower-than-anticipated Net Provincial Debt in the 1999-00 Public Accounts and improvements in the surplus outlook for 2000-01.

◆ As part of the Ontario Financing Authority's mandate to manage the debt and financing requirements of the Ontario Electricity Financial Corporation (OEFC), it has completed \$1,216 million of OEFC's required refinancing of \$1,950 million as of September 30, 2000. The refinancing requirements are down \$511 million from the forecasted \$2,461 million requirement at the time of the Budget.






# ONTARIO FINANCES

2000-01 THIRD QUARTER

QUARTERLY UPDATE - DECEMBER 31, 2000

 Ontario  
Ministry of Finance

## Fiscal Summary (\$ Millions)

	Actual 1999-00	2000-01		
		Budget Plan	Current Outlook	In-Year Change
Revenue	62,931	62,060	64,218	2,158
Expenditure				
Programs	46,649	49,525	50,289	764
Restructuring and Other Charges	211	--	--	--
Accounting Changes from 1999-00 Public Accounts*	720	--	606	606
Total Program Expenditure	47,580	49,525	50,895	1,370
Capital*	4,832	2,075	2,212	137
Public Debt Interest				
Provincial	8,977	8,940	8,910	(30)
Electricity Sector	520	520	520	--
Total Expenditure*	61,909	61,060	62,537	1,477
Reserve	--	1,000	--	(1,000)
Net Impact of Electricity Restructuring to be Recovered from Ratepayers**	354	--	270	270
<b>SURPLUS / (DEFICIT)</b>	<b>668</b>	<b>0</b>	<b>1,411</b>	<b>1,411</b>

\* Accounting changes introduced in the 1999-00 Public Accounts increased total 2000-01 expenditure in-year by \$746 million, representing more than 50 per cent of the in-year change from Budget Plan.

\*\* Reflects the estimated excess of expenditure over revenue of the Ontario Electricity Financial Corporation (OEFC). Consistent with the principles of electricity restructuring, OEFC debt is to be recovered from ratepayers, not taxpayers.

## HIGHLIGHTS

### 2000-01 IN-YEAR PERFORMANCE

#### SURPLUS AT \$1.4 BILLION

- ◆ The 2000-01 surplus is projected at \$1,411 million, as compared to a balanced budget outlook in the 2000 Ontario Budget, an improvement of \$45 million from the \$1,366 million surplus reported in the Second Quarter Ontario Finances.

#### REVENUE AT \$64.2 BILLION

- ◆ The revenue outlook, at \$64,218 million, is up \$2,158 million from the Budget Plan, and up \$165 million from the Second Quarter Ontario Finances outlook, mainly due to higher Personal Income Tax revenue.

#### IN-YEAR EXPENDITURE UP \$0.7 BILLION

- ◆ In-year decisions have increased total expenditure \$731 million from the 2000 Budget Plan and increased expenditure by \$120 million from the Second Quarter Ontario Finances outlook, mainly due to Provincial financial support for transition costs in the cities of Hamilton, Ottawa and Greater Sudbury, and the counties of Haldimand and Norfolk.

#### ACCOUNTING CHANGES INCREASED TOTAL EXPENDITURE BY \$0.7 BILLION AT SECOND QUARTER

- ◆ Accounting changes introduced in the 1999-00 Public Accounts increased 2000-01 total expenditure by \$746 million at second quarter due to an increase in the Provision for the Electricity Sector and the expenditure impact of consolidating the Independent Electricity Market Operator and the Metro Toronto Convention Centre as government organizations. Revenue increased by \$358 million in 2000-01 as a result of these accounting changes.

#### RESERVE APPLIED TO REDUCE NET PROVINCIAL DEBT

- ◆ Based on improvements in the economic and revenue outlook, the \$1 billion reserve was eliminated and applied to Net Provincial Debt reduction in the Second Quarter Ontario Finances.



## FISCAL PERFORMANCE

### REVENUE

- ◆ Total revenue is projected to be \$64,218 million, up \$2,158 million from the 2000 Ontario Budget Plan, and \$165 million above the Second Quarter Ontario Finances outlook. Major changes this quarter are:
  - ◆ Personal Income Tax revenue is increased by \$150 million due to the pace of employment and income growth in Ontario.
  - ◆ Other Federal Revenue is up \$9 million due to reimbursements under the federal *Firearms Act*.
  - ◆ Sales and Rentals are up \$5 million reflecting the transfer of industrial parks from the Ontario Development Corporation, a government business enterprise, to Management Board Secretariat.
  - ◆ Miscellaneous Revenue is up \$1 million for policing services provided to the Towns of Arnprior, Renfrew and Kingsville.

### OPERATING EXPENDITURE

- ◆ Net operating expenditure, at \$60,325 million, is up \$1,340 million from the Budget Plan and up \$117 million from the Second Quarter Ontario Finances outlook. Major changes this quarter are as follows:
  - ◆ Ministry of the Attorney General: An additional \$1 million to provide funding for public electronic access to Ontario's legislation and regulations, fully offset from the Contingency Fund.
  - ◆ Ministry of Community and Social Services: An additional \$123 million to address higher volume and transitional costs in the Child Welfare Services program, fully offset from the Contingency Fund.
  - ◆ Ministry of Energy, Science and Technology: A reduction of \$50 million due to re-profiling into future years of the funding to establish the Ontario Cancer Research Network.
  - ◆ Ministry of Environment: An additional \$2 million to identify best health and safety practices for the protection of the environment and for consultations on how to ensure drinking water protection for small waterworks, and \$1 million to establish a database system to support a public website to report and track emission of air pollutants.
  - ◆ Ministry of Health and Long-Term Care: An expenditure decrease of \$1 million due the transfer of funds to the Ministry of Training, Colleges and Universities to provide 40 additional spaces in medical schools.
  - ◆ Management Board Secretariat: An additional \$5 million for operating costs associated with industrial parks transferred from the Ontario Development Corporation, offset by revenue.
  - ◆ Ministry of Municipal Affairs and Housing: An additional \$165 million to provide Provincial financial support for transition costs in the cities of Hamilton, Ottawa and Greater Sudbury, and the counties of Haldimand and Norfolk, partially offset by \$18 million from the Contingency Fund.
  - ◆ Ministry of the Solicitor General: An increase of \$7 million for the Chief Firearms Office for the licensing component of the federal *Firearms Act*, fully offset by federal transfers, and an additional \$1 million for OPP municipal policing services contracts for the Towns of Arnprior, Renfrew, and Kingsville, offset by revenue.
  - ◆ Ministry of Training, Colleges and Universities: An expenditure increase of \$1 million, due to the transfer from the Ministry of Health and Long-Term Care of funds to provide 40 additional spaces in medical schools.
  - ◆ Ministry of Transportation: An additional \$4 million to upgrade and modernize the driver and vehicle information management systems.

**PUBLIC DEBT INTEREST**

- ◆ The Public Debt Interest forecast of \$9,430 million, consists of \$8,910 million related to the Province’s borrowing on its own behalf and \$520 million related to the interest on debt issued for investment in the Electricity Sector. This forecast is down \$30 million from the Budget Plan due to lower-than-expected interest rates, but unchanged from the Second Quarter Ontario Finances outlook.

**CAPITAL EXPENDITURE**

- ◆ Capital expenditure at \$2,212 million is up \$137 million from the Budget Plan and up \$3 million from the Second Quarter Ontario Finances outlook. The major changes this quarter are as follows:
  - ◆ Management Board Secretariat: An additional \$2 million for environmental assessment and remediation efforts associated with industrial parks transferred from the Ontario Development Corporation.
  - ◆ Ministry of Natural Resources: An additional \$1 million for the Natural Areas Protection Program.
  - ◆ Ministry of Northern Development and Mines: An expenditure increase of \$18 million as a result of the transfer of funds from the Ministry of Transportation for highway rehabilitation projects in northern Ontario.
  - ◆ Ministry of Transportation: An expenditure decrease of \$18 million as a result of the transfer of funding to the Ministry of Northern Development and Mines for northern highway rehabilitation.

## Statement of Financial Transactions (\$ Millions)

	Actual 1996-97	Actual 1997-98	Actual 1998-99	Actual 1999-00	Q3 2000-01
<b>Revenue</b>	49,450	52,518	55,786	62,931	64,218
<b>Expenditure</b>					
Programs*	42,956	43,709	46,509	47,369	50,895
Restructuring and Other Charges	2,180	1,595	76	211	--
Total Program Expenditure	45,136	45,304	46,585	47,580	50,895
Capital*	2,612	2,451	2,187	4,832	2,212
Public Debt Interest					
Provincial	8,607	8,729	9,016	8,977	8,910
Electricity Sector	--	--	--	520	520
Total Expenditure	56,355	56,484	57,788	61,909	62,537
Reserve	--	--	--	--	--
Net Impact of Electricity Restructuring to be Recovered from Ratepayers**	--	--	--	354	270
<b>SURPLUS / (DEFICIT)</b>	<b>(6,905)</b>	<b>(3,966)</b>	<b>(2,002)</b>	<b>668</b>	<b>1,411</b>
<b>NET PROVINCIAL DEBT †</b>	<b>108,769</b>	<b>112,735</b>	<b>114,737</b>	<b>113,715</b>	<b>112,034</b>

\* 1996-97 to 1998-99 restated to reflect reclassification of leases from capital to operating. Expenditure totals in 1999-00 and 2000-01 reflect the impact of accounting changes introduced in the 1999-00 Public Accounts.

\*\* Reflects the estimated excess of expenditure over revenue of the Ontario Electricity Financial Corporation (OEFC). Consistent with the principles of electricity restructuring, OEFC debt is to be recovered from ratepayers, not taxpayers.

† Net Provincial Debt represents total Liabilities less Financial Assets.

## Selected Economic and Fiscal Statistics

	Actual 1996-97	Actual 1997-98	Actual 1998-99	Actual 1999-00	Q3 2000-01
Gross Domestic Product (GDP) at Market Prices (\$ Millions)	335,843	357,300	372,630	396,775	426,755
Ontario Population (000s) - July 1	11,101	11,249	11,386	11,517	11,669
Ontario Revenue as a per cent of GDP	14.7	14.7	15.0	15.9	15.0
Ontario Revenue Growth (%)	0.0	6.2	6.2	12.8	2.0
Ontario Total Spending as a per cent of GDP	16.8	15.8	15.5	15.6	14.7
Ontario Total Spending Growth (%)	(3.3)	0.2	2.3	7.1	1.0
Ontario PDI as a Share of Revenue (%)	17.4	16.6	16.2	15.1	14.7
Ontario PDI as a Share of Total Spending (%)	15.3	15.5	15.6	15.3	15.1
Ontario PDI as a per cent of GDP	2.6	2.4	2.4	2.4	2.2
Ontario Surplus / (Deficit) as a per cent of GDP	(2.1)	(1.1)	(0.5)	0.2	0.3
Net Provincial Debt per capita	9,798	10,022	10,077	9,874	9,601
Net Provincial Debt as a per cent of GDP	32.4	31.6	30.8	28.7	26.3

Sources: Ontario Ministry of Finance and Statistics Canada.

## **VIBRANT ONTARIO ECONOMY IN 2000**

- ◆ The Ontario economy continued to grow strongly in the third quarter of the calendar year (July-September period), with real GDP up 5.5 per cent at annual rates. This followed growth of 5.2 per cent in the second quarter.

## **STRONG JOB GROWTH IN 2000**

- ◆ For the year 2000, Ontario employment increased 184,000 following record job growth in 1999 of 198,000.
- ◆ Ontario's average annual unemployment rate fell from 6.3 per cent in 1999 to 5.7 per cent in 2000.

## **JOB GROWTH CONTINUES IN 2001**

- ◆ In January, Ontario Employment rose 16,000.
- ◆ The Ontario unemployment rate was 5.7 per cent in January.

## **STRONG CONSUMER SPENDING GROWTH IN 2000**

- ◆ Over the first eleven months of 2000, Ontario retail sales were up 7.6 per cent from a year ago and unit auto sales rose 3.8 per cent.

## **HOUSING MARKET REMAINS STRONG**

- ◆ For the year 2000, housing starts in Ontario rose 6.4 per cent from the previous year.
- ◆ Over the year 2000, Toronto new home sales increased 14.4 per cent from a year earlier.

## **BUSINESS GROWING**

- ◆ Over the first eleven months of 2000, Ontario manufacturing shipments rose 7.6 per cent from a year earlier.
- ◆ Ontario international merchandise exports increased 6.2 per cent over the same period.

## **ONTARIO INFLATION RISES IN 2000**

- ◆ Ontario's inflation rate as measured by the Consumer Price Index (CPI) was 2.9 per cent in 2000.



## KEY ECONOMIC INDICATORS

(% Change from previous period, unless indicated otherwise)

		Annual		Quarterly				
		1999	2000	99:3	99:4	00:1	00:2	00:3
<b>Output (Seasonally Adjusted at Annual Rates)</b>								
Real GDP	Ontario	6.1	N/A	8.0	5.5	5.4	5.2	5.5
Nominal GDP	Ontario	6.5	N/A	7.2	3.9	11.9	9.4	8.0
		Annual	Annual	Monthly 2000-2001				
		1999	2000	Sept	Oct	Nov	Dec	Jan
<b>Other Indicators (Seasonally Adjusted)</b>								
<b>Labour Markets</b>								
Labour Force (Change in 000s)	Ontario	157	157	7	33	44	2	(5)
Employment (Change in 000s)	Ontario	198	184	18	27	35	(1)	16
Unemployment Rate (%)	Ontario	6.3	5.7	5.8	5.9	6.0	6.0	5.7
<b>Household Sector</b>								
Retail Sales	Ontario	7.3	N/A	0.7	(0.7)	0.1	N/A	N/A
Urban Housing Starts (000s)	Ontario	62.9	67.4	67.4	73.5	67.2	65.9	79.6
New Home Sales*	Toronto	29.4	14.4	34.7	6.2	(15.7)	(25.2)	N/A
MLS Home Resales*	Ontario	7.4	(1.1)	(3.6)	2.1	6.3	(7.7)	N/A
<b>Manufacturing Shipments</b>								
Transportation Equipment	Ontario	11.7	N/A	0.1	0.4	0.4	N/A	N/A
<b>Consumer Price Index*</b>	Ontario	1.9	2.9	2.8	2.9	3.7	3.5	N/A

Sources: Statistics Canada, Ontario Ministry of Finance, Canada Mortgage and Housing Corporation, Greater Toronto Home Builders Association, Canadian Real Estate Association and Ward's Automotive.

\* % change from a year earlier  
N/A = Data not available



# **ONTARIO FINANCES**

## **FINANCIAL TABLES**

# REVENUE

(\$ Millions)	2000-01			
	Actual 1999-00	Budget Plan	Current Outlook	In-Year Change
<b>TAXATION REVENUE</b>				
Personal Income Tax	17,617	17,530	18,880	1,350
Retail Sales Tax	12,879	13,400	13,600	200
Corporations Tax	8,095	8,765	8,765	--
Employer Health Tax	3,118	3,320	3,380	60
Gasoline Tax	2,154	2,260	2,260	--
Fuel Tax	665	665	665	--
Tobacco Tax	481	510	510	--
Land Transfer Tax	565	580	580	--
Mining Profits Tax	50	55	55	--
Race Tracks Tax	6	5	5	--
Preferred Share Dividends Tax	33	40	40	--
Other Taxation	218	193	193	--
	<b>45,881</b>	<b>47,323</b>	<b>48,933</b>	<b>1,610</b>
<b>GOVERNMENT OF CANADA</b>				
Canada Health and Social Transfer	3,777	3,548	3,548	--
Increase in CHST Allocation	190	552	552	--
CHST Supplements	755	757	757	--
Social Housing	466	533	533	--
Student Assistance	170	171	171	--
Indian Welfare Services	85	114	114	--
Bilingualism Development	65	64	64	--
Employability Assistance for People with Disabilities	65	66	66	--
Canada-Ontario Infrastructure Works	19	--	--	--
Other	293	227	236	9
	<b>5,885</b>	<b>6,032</b>	<b>6,041</b>	<b>9</b>
<b>INCOME FROM GOVERNMENT ENTERPRISES</b>				
Ontario Lottery and Gaming Corporation*	1,924	1,695	1,865	170
Liquor Control Board of Ontario	845	915	915	--
Ontario Power Generation Inc. and Hydro One Inc.	903	795	795	--
Other	36	18	23	5
	<b>3,708</b>	<b>3,423</b>	<b>3,598</b>	<b>175</b>
<b>OTHER REVENUE</b>				
Vehicle and Driver Registration Fees	911	920	920	--
Other Fees and Licences	667	670	670	--
Liquor Licence Revenue	539	530	530	--
Royalties	345	240	240	--
Sales and Rentals	2,133	790	840	50
Fines and Penalties	41	35	35	--
Local Services Realignment - Reimbursement of Expenditure	1,678	1,572	1,572	--
Miscellaneous	1,143	525	839	314
	<b>7,457</b>	<b>5,282</b>	<b>5,646</b>	<b>364</b>
<b>TOTAL REVENUE</b>	<b>62,931</b>	<b>62,060</b>	<b>64,218</b>	<b>2,158</b>

\* Effective April 1, 2000, the Ontario Lottery Corporation and Ontario Casino Corporation merged to form the Ontario Lottery and Gaming Corporation.

# OPERATING EXPENDITURE

(\$ Millions)		2000-01		
MINISTRY	Actual 1999-00	Budget Plan	Current Outlook	In-Year Change
Agriculture, Food and Rural Affairs	347	446	446	--
Attorney General	844	882	884	2
Board of Internal Economy	154	121	121	--
Citizenship, Culture and Recreation	337	398	398	--
Community and Social Services	7,512	7,504	7,627	123
Consumer and Commercial Relations	134	146	146	--
Correctional Services	563	591	591	--
Economic Development and Trade	94	99	99	--
Education	7,702	8,026	8,124	98
School Board Phase-in Funding	268	--	--	--
Teachers' Pension Plan (TPP)	(363)	(711)	(735)	(24)
Energy, Science and Technology	126	241	191	(50)
Environment	174	158	187	29
Executive Offices	19	22	22	--
Finance - Own Account	548	787	787	--
Public Debt Interest				
Provincial	8,977	8,940	8,910	(30)
Electricity Sector	520	520	520	--
Community Reinvestment Fund	521	537	537	--
Health and Long-Term Care	20,378	21,988	22,503	515
Major One-Time Operating Costs	286	--	--	--
Intergovernmental Affairs	4	5	5	--
Labour	101	100	100	--
Management Board Secretariat	170	298	315	17
Public Service/OPSEU Pension Plan	(165)	(248)	(110)	138
Contingency Fund	--	1,165	858	(307)
OPS Employee Severance (Net)	88	--	--	--
Municipal Affairs and Housing	1,665	1,644	1,810	166
Native Affairs Secretariat	13	16	15	(1)
Natural Resources	460	376	414	38
Northern Development and Mines	122	274	274	--
Office of Francophone Affairs	3	4	4	--
Solicitor General	814	856	871	15
Tourism	70	76	76	--
Training, Colleges and Universities	3,284	3,387	3,388	1
Transportation	587	537	541	4
Year-End Savings	--	(200)	(200)	--
Accounting Changes*				
Energy, Science and Technology - Independent Electricity Market Operator	303	--	283	283
Finance - Provision for Electricity Sector	383	--	275	275
Tourism - Metro Toronto Convention Centre	34	--	48	48
<b>TOTAL OPERATING EXPENDITURE</b>	<b>57,077</b>	<b>58,985</b>	<b>60,325</b>	<b>1,340</b>

\* Accounting changes introduced in the 1999-00 Public Accounts increased 2000-01 operating expenditure in-year by \$606 million.

Note: Does not reflect new ministry structure announced on February 8, 2001.

# CAPITAL EXPENDITURE

(\$ Millions)		2000-01		
		Budget Plan	Current Outlook	In-Year Change
MINISTRY	Actual 1999-00			
Agriculture, Food and Rural Affairs	1	80	80	--
Attorney General	62	64	64	--
Citizenship, Culture and Recreation	75	71	71	--
Community and Social Services	20	20	20	--
Correctional Services	124	156	156	--
Education	52	5	5	--
Energy, Science and Technology	500	--	--	--
Environment	1	14	14	--
Water Protection Fund	160	51	51	--
Finance	7	3	3	--
SuperBuild Millennium Partnerships	--	200	200	--
Health and Long-Term Care	338	291	291	--
Major One-Time Capital Costs	1,004	--	--	--
Management Board Secretariat	13	12	14	2
Municipal Affairs and Housing	(10)	2	2	--
Native Affairs Secretariat	5	8	10	2
Natural Resources	96	83	76	(7)
Northern Development and Mines	212	273	291	18
Solicitor General	--	8	8	--
Tourism	2	11	11	--
Training, Colleges and Universities	1,028	44	44	--
Transportation	830	799	781	(18)
Year-End Savings	--	(120)	(120)	--
Accounting Changes*				
Energy, Science and Technology – Independent Electricity Market Operator	156	--	140	140
Tourism – Metro Toronto Convention Centre	156	--	--	--
<b>TOTAL CAPITAL EXPENDITURE</b>	<b>4,832</b>	<b>2,075</b>	<b>2,212</b>	<b>137</b>

\* Accounting changes introduced in the 1999-00 Public Accounts increased 2000-01 capital expenditure in-year by \$140 million.  
 Note: Does not reflect new ministry structure announced on February 8, 2001.

# ONTARIO'S 2000-01 FINANCING PROGRAM

(\$ Millions)	Actual 1999-00	2000-01		
		Budget Plan	Current Outlook	Change from Budget
Surplus / (Deficit)	668	—	1,411	1,411
Accruals and Consolidations	(623)	(5,205)	(5,456)	(251)
Maturities*	(7,895)	(8,425)	(8,239)	186
Provision for Early Redemptions	(1,246)	(500)	(1,064)	(564)
Other Sources / (Uses)	295	--	(270)	(270)
Net Repayments from / (Loans to) Agencies	2,758	--	(83)	(83)
Decrease / (Increase) in Liquid Reserves	(4,102)	4,500	4,500	--
Increase / (Decrease) in Short-Term Borrowing	608	--	--	--
Canada Pension Plan Borrowing	870	1,038	611	(427)
Long-Term Borrowing	8,667	8,592	8,590	(2)
of which: Completed			7,501	
Remaining			1,089	

\* Maturing debt is lower than Budget Plan due to the Province exercising its options on extendible bonds.

♦ Long-term financing undertaken in the third quarter totalled \$1,576 million as follows:

	(\$ Millions)
Domestic Issues	1,501
Medium Term Notes	75
	<b>1,576</b>

- ♦ In addition to the borrowing and redemptions shown in the table, the Province has bought back \$844 million of previously issued debt, financing the purchases with similar amounts of debt issued at more favourable rates.
- ♦ Long-term public market borrowing requirements are virtually unchanged from the 2000-01 Budget plan. This is because the increase in the surplus is almost fully offset by \$564 million higher-than-forecast redemptions of Ontario Savings Bonds, \$83 million lent to agencies, \$270 million in net withdrawals from POSO, and \$427 million less borrowing from the Canada Pension Plan.
- ♦ In early December 2000, the Province of Ontario held its first bond auction, a reopening of a 4.875% issue due June 2, 2004, raising \$250 million for the Ontario Electricity Financial Corporation (OEFC).
- ♦ As of December 31, 2000, the Province had completed \$1,459 million of the required refinancing of \$1,843 million on behalf of the OEFC. The OEFC's refinancing requirements are down \$618 million from the forecasted \$2,461 million requirement at the time of the Budget.
- ♦ Net Provincial Debt is forecast to be \$112.0 billion at March 31, 2001, \$2.0 billion lower than the Budget Plan due to higher-than-forecasted surpluses in both 1999-00 and 2000-01.





# ONTARIO FINANCES

2001-02 FIRST QUARTER

QUARTERLY UPDATE - JUNE 30, 2001

 Ontario  
Ministry of Finance

## Fiscal Summary (\$ Millions)

	Interim 2000-01	Budget Plan	2001-02 Current Outlook	In-Year Change
Revenue	64,927	64,270	64,270	--
Expenditure				
Programs	50,428	52,011	52,011	--
Restructuring and Other Charges	31	--	--	--
Total Program Expenditure	50,459	52,011	52,011	--
Capital	2,075	1,944	1,944	--
Public Debt Interest				
Provincial	8,883	8,795	8,795	--
Electricity Sector	520	520	520	--
Total Expenditure	61,937	63,270	63,270	--
Less: Reserve	--	1,000	1,000	--
Add: Net Impact of Electricity Restructuring to be Recovered from Ratepayers*	202	140	140	--
<b>SURPLUS / (DEFICIT)</b>	<b>3,192</b>	<b>140</b>	<b>140</b>	<b>--</b>

\* Reflects the estimated excess of revenue over expenditure of the Ontario Electricity Financial Corporation (OEFC). Consistent with the principles of electricity restructuring, OEFC debt is to be recovered from ratepayers, not taxpayers.

## HIGHLIGHTS

### 2001-02 IN-YEAR PERFORMANCE

#### BALANCED BUDGET OUTLOOK

- ◆ The 2001-02 fiscal outlook is on track with the Budget Plan. As of June 30, 2001 a surplus of \$140 million is projected, unchanged from the 2001 Ontario Budget.

#### REVENUE AT \$64.3 BILLION

- ◆ The revenue outlook, at \$64,270 million, is unchanged from the Budget Plan.

#### EXPENDITURE AT \$63.3 BILLION

- ◆ Total expenditure, at \$63,270 million, is unchanged from the Budget Plan.

#### RESERVE AT \$1 BILLION

- ◆ Ontario's 2001-02 fiscal plan includes a \$1 billion reserve designed to protect the balanced budget against unexpected and adverse changes in the economic and fiscal outlook. The reserve will be available for debt reduction if not needed.

## FISCAL PERFORMANCE

### REVENUE

- ♦ The revenue outlook, at \$64,270 million, is unchanged from the Budget Plan.

### OPERATING EXPENDITURE

- ♦ Net operating expenditure, at \$61,326 million, is unchanged from the Budget Plan. Changes this quarter include:
  - ♦ Ministry of Natural Resources: An additional \$8 million for extra forest fire-fighting costs, fully offset from the Contingency Fund.

### PUBLIC DEBT INTEREST

- ♦ The Public Debt Interest forecast of \$9,315 million, consisting of \$8,795 million related to the Province's borrowing on its own behalf and \$520 million related to the interest costs of debt issued for investment in the electricity sector, is unchanged from the Budget Plan.

### CAPITAL EXPENDITURE

- ♦ Capital expenditure, at \$1,944 million, is unchanged from the Budget Plan.

## Statement of Financial Transactions (\$ Millions)

	Actual 1997-98	Actual 1998-99	Actual 1999-00	Interim 2000-01	Q1 2001-02
<b>Revenue</b>	52,518	55,786	62,931	64,927	64,270
<b>Expenditure</b>					
Programs	43,709	46,509	47,369	50,428	52,011
Restructuring and Other Charges	1,595	76	211	31	--
Total Program Expenditure	45,304	46,585	47,580	50,459	52,011
Capital	2,451	2,187	4,832	2,075	1,944
Public Debt Interest					
Provincial	8,729	9,016	8,977	8,883	8,795
Electricity Sector	--	--	520	520	520
Total Expenditure	56,484	57,788	61,909	61,937	63,270
Less: Reserve	--	--	--	--	1,000
Add: Net Impact of Electricity Restructuring to be Recovered from Ratepayers*	--	--	(354)	202	140
<b>SURPLUS / (DEFICIT)</b>	<b>(3,966)</b>	<b>(2,002)</b>	<b>668</b>	<b>3,192</b>	<b>140</b>
<b>NET PROVINCIAL DEBT †</b>	<b>112,735</b>	<b>114,737</b>	<b>113,715</b>	<b>110,725</b>	<b>110,725</b>

\* Reflects the estimated excess of revenue over expenditure of the Ontario Electricity Financial Corporation (OEFC). Consistent with the principles of electricity restructuring, OEFC debt is to be recovered from ratepayers, not taxpayers.

† Net Provincial Debt represents total Liabilities less Financial Assets.

## Selected Economic and Fiscal Statistics

	Actual 1997-98	Actual 1998-99	Actual 1999-00	Interim 2000-01	Q1 2001-02
Gross Domestic Product (GDP) at Market Prices (\$ Millions)	357,300	372,630	396,775	428,164	446,019
Ontario Population (000s) - July 1	11,249	11,386	11,517	11,669	11,816
Ontario Revenue as a per cent of GDP	14.7	15.0	15.9	15.2	14.4
Ontario Revenue Growth (%)	6.2	6.2	12.8	3.2	(1.0)
Ontario Total Expenditure as a per cent of GDP	15.8	15.5	15.6	14.5	14.2
Ontario Total Expenditure Growth (%)	0.2	2.3	7.1	0.0	2.2
Ontario PDI as a Share of Revenue (%)	16.6	16.2	15.1	14.5	14.5
Ontario PDI as a Share of Total Expenditure (%)	15.5	15.6	15.3	15.2	14.7
Ontario PDI as a per cent of GDP	2.4	2.4	2.4	2.2	2.1
Ontario Surplus / (Deficit) as a per cent of GDP	(1.1)	(0.5)	0.2	0.7	0.0
Net Provincial Debt per capita (\$)	10,022	10,077	9,874	9,489	9,371
Net Provincial Debt as a per cent of GDP	31.6	30.8	28.7	25.9	24.8

Sources: Ontario Ministry of Finance and Statistics Canada.

**JOB GROWTH CONTINUES IN 2001**

- ◆ Ontario job creation has continued in 2001 with employment up 145,000 over the first five months compared to the same period in 2000.
- ◆ The healthy employment performance so far in 2001 follows solid gains of 184,000 in 2000 and 198,000 in 1999.
- ◆ Ontario's unemployment rate was 5.9 per cent in April and May.

**CONSUMER SPENDING RISING IN 2001**

- ◆ Over the first four months of 2001, Ontario retail sales are up 4.1 per cent from a year ago.

**HOUSING MARKET REMAINS STRONG**

- ◆ Over the first five months of 2001, housing starts in Ontario rose 5.7 per cent from the previous year.
- ◆ Ontario home resales are up 4.9 per cent over the first five months of 2001, compared to a year ago.

**EXPORTS DECLINE WITH SLOWER U.S. ECONOMY**

- ◆ Over the first four months of 2001, Ontario merchandise exports fell 2.6 per cent from a year ago, largely the result of reduced auto exports to the U.S.
- ◆ Ontario manufacturing shipments fell 3.6 per cent during the first four months of 2001, following a 6.2 per cent rise for the year 2000.

**RISING ENERGY AND FOOD PRICES PUSH UP 2001 INFLATION RATE**

- ◆ Ontario's year-over-year inflation rate has averaged 3.7 per cent over the first five months of 2001, compared to an annual inflation rate of 2.9 per cent in 2000.
- ◆ Higher energy and food prices have been the main cause of the rise in the Consumer Price Index during the first five months of 2001.



## KEY ECONOMIC INDICATORS

(% Change from previous period, unless indicated otherwise)

		Annual	Annual	Quarterly				
		1999	2000	99:4	00:1	00:2	00:3	00:4
<b>Output (Seasonally Adjusted at Annual Rates)</b>								
Real GDP	Ontario	6.1	5.5	5.5	5.1	5.4	5.3	2.1
Nominal GDP	Ontario	6.5	7.9	3.9	11.5	9.5	8.0	2.1

		Annual	Annual	Monthly 2001				
		1999	2000	Jan	Feb	Mar	Apr	May
<b>Other Indicators (Seasonally Adjusted)</b>								
<b>Labour Markets</b>								
Labour Force (Change in 000s)	Ontario	157	157	(5)	(16)	22	12	6
Employment (Change in 000s)	Ontario	198	184	16	(38)	16	24	7
Unemployment Rate (%)	Ontario	6.3	5.7	5.7	6.1	6.1	5.9	5.9
<b>Household Sector</b>								
Retail Sales	Ontario	7.3	7.3	0.8	(0.8)	(0.5)	1.6	N/A
Urban Housing Starts (000s)	Ontario	62.9	67.4	76.3	68.0	74.1	68.6	66.6
New Home Sales*	Toronto	29.4	13.6	(11.7)	(19.5)	(13.7)	(10.4)	3.5
MLS Home Resales*	Ontario	7.4	(1.1)	11.5	(0.9)	(5.2)	5.2	15.3
<b>Manufacturing Shipments</b>								
Transportation Equipment	Ontario	13.3	6.2	(0.1)	(4.2)	2.7	1.1	N/A
<b>Consumer Price Index*</b>								
	Ontario	1.9	2.9	3.6	3.4	3.2	4.3	4.2

Sources: Statistics Canada, Ontario Ministry of Finance, Canada Mortgage and Housing Corporation, Greater Toronto Home Builders' Association, Canadian Real Estate Association and Ward's Automotive.

\* % change from a year earlier

N/A = Data not available



**ONTARIO FINANCES**  
**FINANCIAL TABLES**

# REVENUE

(\$ Millions)	Interim 2000-01	2001-02		
		Budget Plan	Current Outlook	In-Year Change
TAXATION REVENUE				
Personal Income Tax	18,975	18,010	18,010	--
Retail Sales Tax	13,757	14,340	14,340	--
Corporations Tax	9,130	8,340	8,340	--
Employer Health Tax	3,455	3,620	3,620	--
Gasoline Tax	2,242	2,300	2,300	--
Fuel Tax	651	655	655	--
Tobacco Tax	495	620	620	--
Land Transfer Tax	630	670	670	--
Mining Profits Tax	90	55	55	--
Preferred Share Dividends Tax	40	56	56	--
Other Taxation	197	154	154	--
	49,662	48,820	48,820	--
GOVERNMENT OF CANADA				
Canada Health and Social Transfer (CHST)	4,137	5,630	5,630	--
CHST Supplements	758	380	380	--
Social Housing	550	530	530	--
Student Assistance	40	64	64	--
Indian Welfare Services	118	117	117	--
Young Offenders Act	56	55	55	--
Bilingualism Development	64	64	64	--
Employability Assistance for People with Disabilities	58	39	39	--
Other	451	480	480	--
	6,232	7,359	7,359	--
INCOME FROM GOVERNMENT ENTERPRISES				
Ontario Lottery and Gaming Corporation	2,150	2,000	2,000	--
Liquor Control Board of Ontario	875	890	890	--
Ontario Power Generation Inc. and Hydro One Inc.	918	524	524	--
Other	25	10	10	--
	3,968	3,424	3,424	--
OTHER REVENUE				
Vehicle and Driver Registration Fees	930	925	925	--
Other Fees and Licences	680	685	685	--
Liquor Licence Revenue	525	518	518	--
Royalties	219	240	240	--
Sales and Rentals	585	300	300	--
Fines and Penalties	37	40	40	--
Local Services Realignment - Reimbursement of Expenditure	1,389	1,223	1,223	--
Miscellaneous	700	736	736	--
	5,065	4,667	4,667	--
TOTAL REVENUE	64,927	64,270	64,270	--
Total Revenue Excluding One-Time Tax Revenue in 2000-01*				
	63,913	64,270	64,270	--

\* Excludes one-time Personal Income Tax revenue of \$764 million and Corporations Tax revenue of \$250 million in 2000-01. These revenues are included in 2000-01 to reflect higher estimates of tax revenues for 1999-2000 than reported in the 1999-2000 Public Accounts.

# OPERATING EXPENDITURE

(\$ Millions)		2001-02		
MINISTRY	Interim 2000-01	Budget Plan	Current Outlook	In-Year Change
Agriculture, Food and Rural Affairs	406	446	446	--
One-Time and Extraordinary	233	--	--	--
Attorney General	971	979	979	--
Board of Internal Economy	117	117	117	--
Citizenship	78	78	78	--
Community and Social Services	7,638	7,756	7,756	--
Consumer and Business Services	157	168	168	--
Correctional Services	595	610	610	--
Economic Development and Trade	93	106	106	--
Education	8,096	8,471	8,471	--
Teachers' Pension Plan (TPP)	(779)	(230)	(230)	--
Energy, Science and Technology	469	284	284	--
Environment	190	215	215	--
Executive Offices	22	21	21	--
Finance - Own Account	896	773	773	--
Public Debt Interest				
Provincial	8,883	8,795	8,795	--
Electricity Sector	520	520	520	--
Community Reinvestment Fund	561	561	561	--
Provision for Electricity Sector	398	4	4	--
Health and Long-Term Care	21,779	23,486	23,486	--
Accelerated Health Care Commitment	498	--	--	--
Major One-Time Health Care Costs	486	190	190	--
Intergovernmental Affairs	5	5	5	--
Labour	105	113	113	--
Management Board Secretariat	224	346	346	--
Retirement Benefits	(197)	30	30	--
Contingency Fund	--	654	646	(8)
Municipal Affairs and Housing	1,819	1,214	1,214	--
Native Affairs Secretariat	18	15	15	--
Natural Resources	413	407	415	8
Northern Development and Mines	113	179	179	--
Office of Francophone Affairs	4	5	5	--
Solicitor General	905	932	932	--
Tourism, Culture and Recreation	361	392	392	--
Training, Colleges and Universities	3,236	3,365	3,365	--
Transportation	549	519	519	--
Year-End Savings	--	(200)	(200)	--
<b>TOTAL OPERATING EXPENDITURE</b>	<b>59,862</b>	<b>61,326</b>	<b>61,326</b>	<b>--</b>



# CAPITAL EXPENDITURE

(\$ Millions)		2001-02		
		Budget Plan	Current Outlook	In-Year Change
MINISTRY	Interim 2000-01			
Agriculture, Food and Rural Affairs	1	51	51	--
Attorney General	40	55	55	--
Community and Social Services	14	38	38	--
Correctional Services	95	98	98	--
Education	4	16	16	--
Energy, Science and Technology	80	76	76	--
Environment	4	13	13	--
Water Protection Fund	17	5	5	--
Finance	7	13	13	--
SuperBuild Millennium Partnerships	4	100	100	--
Contingency Fund	--	100	100	--
Health and Long-Term Care	211	200	200	--
Major One-Time Capital Costs	140	--	--	--
Management Board Secretariat	20	37	37	--
Municipal Affairs and Housing	14	8	8	--
Native Affairs Secretariat	5	7	7	--
Natural Resources	65	99	99	--
Northern Development and Mines	312	327	327	--
Solicitor General	4	9	9	--
Tourism, Culture and Recreation	27	68	68	--
Training, Colleges and Universities	205	51	51	--
Transportation	806	673	673	--
Year-End Savings	--	(100)	(100)	--
<b>TOTAL CAPITAL EXPENDITURE</b>	<b>2,075</b>	<b>1,944</b>	<b>1,944</b>	<b>--</b>

# ONTARIO'S 2001-02 FINANCING PROGRAM

(\$ Millions)	Interim 2000-01	2001-02		
		Budget Plan	Current Outlook	Change from Budget
Surplus / (Deficit)	3,192	140	140	--
Accruals and Consolidations	(4,626)	(2,258)	(2,258)	--
Maturities*	(8,120)	(9,557)	(9,467)	90
Provision for Early Redemptions	(1,064)	(1,020)	(1,020)	--
Other Sources / (Uses)	(275)	--	--	--
Net Repayments from / (Loans to) Agencies	(110)	(42)	(42)	--
Decrease / (Increase) in Liquid Reserves	2,049	2,551	2,551	--
Increase / (Decrease) in Short-Term Borrowing	(113)	--	--	--
Canada Pension Plan Borrowing	611	1,130	797	(333)
Long-Term Public Borrowing	8,456	9,056	9,299	243
of which: Completed			5,674	
Remaining			3,625	

\* Maturing debt is lower than Budget Plan due to the Province exercising its options on extendible bonds.

- ♦ Long-term public borrowing undertaken in the first quarter totalled \$5,674 million as follows:

	(\$ Millions)
Ontario Savings Bonds	4,008
Domestic Issues	1,137
Euro Medium Term Notes	143
Global US Dollar	386
	<b>5,674</b>

- ♦ The 2001 Ontario Savings Bond (OSB) campaign has set another provincial record, with estimated sales totalling over \$4 billion.
- ♦ In addition to the borrowing and redemptions shown in the table, the Province has bought back \$60 million of previously issued debt, financing the purchases with similar amounts of debt issued at more favourable rates.
- ♦ Long term public market borrowing requirements are \$243 million higher than the 2001-02 Budget Plan. This is because the \$90 million decrease in maturities is offset by \$333 million less borrowing from the Canada Pension Plan. To date, CPP borrowing has been more expensive than other financing alternatives.
- ♦ The forecast Net Provincial Debt as of March 31, 2002 is \$110.7 billion, unchanged from the 2001 Budget Plan.



## Fiscal Summary (\$ Millions)

	Actual 2000-01	2001-02		
		Budget Plan	Current Outlook	In-Year Change
<b>Revenue</b>	64,682	64,270	64,112	(158)
<b>Expenditure</b>				
Programs	50,075	52,011	52,207	196
Restructuring and Other Charges	31	--	--	--
<b>Total Program Expenditure</b>	50,106	52,011	52,207	196
<b>Capital</b>	2,079	1,944	1,949	5
<b>Public Debt Interest</b>				
Provincial	8,896	8,795	8,736	(59)
Electricity Sector	520	520	520	--
<b>Total Expenditure</b>	61,601	63,270	63,412	142
<b>Less: Reserve</b>	--	1,000	700	(300)
<b>Add: Decrease/(Increase) in Stranded Debt from Electricity Sector     Restructuring to be Recovered from Ratepayers*</b>	244	140	140	--
<b>SURPLUS / (DEFICIT)</b>	<b>3,325</b>	<b>140</b>	<b>140</b>	<b>--</b>

\* Reflects the estimated excess of revenue over expenditure of the Ontario Electricity Financial Corporation (OEFC). Consistent with the principles of electricity restructuring, OEFC debt is to be recovered from ratepayers, not taxpayers.

## HIGHLIGHTS

### 2000-01 PUBLIC ACCOUNTS

◆ The 2000-01 Public Accounts, released September 21, 2001, reported the 2000-01 audited actual surplus at \$3,325 million, up \$133 million from the \$3,192 million interim estimate in the 2001 Ontario Budget.

### 2001-02 IN-YEAR PERFORMANCE

#### BALANCED BUDGET OUTLOOK

◆ The 2001-02 fiscal outlook is on track with the Budget Plan. As of September 30, 2001, a surplus of \$140 million is projected, unchanged from the 2001 Ontario Budget and First Quarter Ontario Finances.

#### REVENUE AT \$64.1 BILLION

◆ The revenue outlook, at \$64,112 million, is down \$158 million from the Budget Plan and First Quarter Ontario Finances, mainly due to decreases in corporations tax revenue, partially offset by higher personal income tax revenue.

#### EXPENDITURE AT \$63.4 BILLION

◆ Total expenditure, at \$63,412 million, is up \$142 million from the Budget Plan and First Quarter Ontario Finances, mainly due to increased funding for hospitals, partially offset by savings in Public Debt Interest (PDI).

#### RESERVE AT \$0.7 BILLION

◆ Ontario's 2001-02 Budget Plan included a \$1 billion reserve designed to protect the balanced budget against unexpected and adverse changes in the economic and fiscal outlook. With economic growth slower than projected and consistent with the role of the reserve in prudent budgeting, \$300 million of the reserve has been allocated to ensure the balanced budget target is met. The \$700 million balance of the reserve will be available for debt reduction at year end if not needed.



## FISCAL PERFORMANCE

### REVENUE

- ◆ The revenue outlook, at \$64,112 million, is down \$158 million from the Budget Plan and First Quarter Ontario Finances. Major changes this quarter are:
  - ◆ Personal Income Tax (PIT) is projected to increase by \$250 million primarily due to higher 2000 PIT assessments than expected at the time of the 2000-01 Public Accounts. This PIT increase is partially offset by the impact of slower wages and salaries growth in 2001, lower expected capital gains income arising from the decline in stock prices this year and the benefits to taxpayers of accelerating tax cuts originally planned for January 1, 2002.
  - ◆ The projection for Corporations Tax revenues has been lowered by \$400 million due to lower expected profit levels this year and the acceleration of corporate tax cuts originally scheduled for January 1, 2002.
  - ◆ The Retail Sales Tax revenue forecast has been reduced by \$50 million as a result of lower consumer and tourist spending expected in the wake of the tragic events of September 11 in the United States.
  - ◆ The Tobacco Tax revenue forecast has increased by \$40 million as a result of the tax increase announced by the federal government which, under Ontario legislation, automatically increases Ontario Tobacco Tax by an equivalent amount.
  - ◆ Miscellaneous Other Revenue is up \$2 million due to an increase in revenue for expanded OPP policing of Highway 407 and policing services provided by the OPP for the towns of Collingwood, New Tecumseth, Orillia and Penetanguishene.

### OPERATING EXPENDITURE

- ◆ Net operating expenditure, at \$61,463 million, is up \$137 million from the Budget Plan and First Quarter Ontario Finances. Major changes this quarter include:
  - ◆ Ministry of the Attorney General: An additional \$3 million to assist victims and families of victims of the tragic events of September 11 in the United States, and a \$3 million reduction due to the transfer of funds from operating to capital spending for the Victims' Justice Action Plan.
  - ◆ Ministry of Economic Development and Trade: An additional \$1 million for the Task Force on Productivity, Competitiveness and Economic Progress, fully offset from the Contingency Fund.
  - ◆ Ministry of Energy, Science and Technology: An additional \$2 million for consumer education and communications related to the opening of the electricity market, fully offset from the Contingency Fund.
  - ◆ Ministry of the Environment: An additional \$3 million for development of policy and guidelines for groundwater protection, fully offset from the Contingency Fund.
  - ◆ Ministry of Finance: An additional \$37 million for one-time payments to low- and middle-income working families with children under the age of seven.
  - ◆ Ministry of Health and Long-Term Care: A net increase of \$226 million in the ministry including an expenditure increase of \$300 million for hospitals across the province to better address the changing and rising costs of caring for patients, partially offset by \$73 million in one-time underspending and ongoing administrative efficiencies in the ministry and \$89 million from the Contingency Fund; and an expenditure decrease of \$1 million due to the transfer of funds to the Ministry of Training, Colleges and Universities for capital expenditure related to increased medical student enrolment.
  - ◆ Ministry of the Solicitor General: An additional \$10 million for the Province's counterterrorism and emergency management strategies, and an additional \$2 million for expanded OPP policing of Highway 407 and for OPP policing contracts for Collingwood, New Tecumseth, Orillia and Penetanguishene, offset by increased revenue.
  - ◆ Ministry of Tourism, Culture and Recreation: An additional \$10 million to launch an enhanced tourism marketing campaign.
- ◆ The Public Debt Interest forecast of \$9,256 million consists of \$8,736 million related to the Province's borrowing on its own behalf and \$520 million related to the interest on debt issued for investment in the electricity sector. This forecast is down \$59 million from the Budget Plan and First Quarter Ontario Finances due to lower-than-expected interest rates and cost-effective debt management.



## CAPITAL EXPENDITURE

- ◆ Capital expenditure, at \$1,949 million, is up \$5 million from the Budget Plan and First Quarter Ontario Finances. The major changes this quarter are as follows:
- ◆ Ministry of the Attorney General: An additional \$9 million to permanently relocate East Mall court operations in Toronto, fully offset from the Capital Contingency Fund, and an increase of \$3 million due to the transfer of funds from operating to capital expenditure to be used for the Victims' Justice Action Plan.
- ◆ Ministry of Education: An additional \$4 million to enhance protection of drinking water in elementary and secondary schools, fully offset from the Capital Contingency Fund.
- ◆ Ministry of the Environment: An additional \$8 million to assist conservation authorities and municipalities to conduct assessments of groundwater quality and quantity, fully offset from the Capital Contingency Fund.
- ◆ Ministry of the Solicitor General: An additional \$1 million towards the building of an anti-terrorism training facility at the Ontario Police College and an emergency management training centre for first responders at the Ontario Fire College.
- ◆ Ministry of Training, Colleges and Universities: An additional \$1 million for capital expenditure related to increased medical student enrolment, transferred from Ministry of Health and Long-Term Care operating expenditure.

## Statement of Financial Transactions (\$ Millions)

	Actual 1997-98	Actual 1998-99	Actual 1999-00	Actual 2000-01	Q2 2001-02
<b>Revenue</b>	52,518	55,786	62,931	64,682	64,112
<b>Expenditure</b>					
Programs	43,709	46,509	47,369	50,075	52,207
Restructuring and Other Charges	1,595	76	211	31	--
Total Program Expenditure	45,304	46,585	47,580	50,106	52,207
Capital	2,451	2,187	4,832	2,079	1,949
Public Debt Interest					
Provincial	8,729	9,016	8,977	8,896	8,736
Electricity Sector	--	--	520	520	520
Total Expenditure	56,484	57,788	61,909	61,601	63,412
Less: Reserve	--	--	--	--	700
Add: Decrease/(Increase) in Stranded Debt from Electricity Sector Restructuring to be Recovered from Ratepayers*	--	--	(354)	244	140
<b>SURPLUS / (DEFICIT)</b>	<b>(3,966)</b>	<b>(2,002)</b>	<b>668</b>	<b>3,325</b>	<b>140</b>
<b>NET PROVINCIAL DEBT †</b>	<b>112,735</b>	<b>114,737</b>	<b>113,715</b>	<b>110,634</b>	<b>110,634</b>

\* Reflects the estimated excess of revenue over expenditure of the Ontario Electricity Financial Corporation (OEFC). Consistent with the principles of electricity restructuring, OEFC debt is to be recovered from ratepayers, not taxpayers.

† Net Provincial Debt represents total Liabilities less Financial Assets.

## Selected Economic and Fiscal Statistics

	Actual 1997-98	Actual 1998-99	Actual 1999-00	Actual 2000-01	Q2 2001-02
Gross Domestic Product (GDP) at Market Prices (\$ Millions)	359,953	378,124	405,625	429,530	446,282
Ontario Population (000s) - July 1	11,249	11,387	11,523	11,685	11,874
Ontario Revenue as a per cent of GDP	14.6	14.8	15.5	15.1	14.4
Ontario Revenue Growth (%)	6.2	6.2	12.8	2.8	(0.9)
Ontario Total Expenditure as a per cent of GDP	15.7	15.3	15.3	14.3	14.2
Ontario Total Expenditure Growth (%)	0.2	2.3	7.1	(0.5)	2.9
Ontario PDI as a Share of Revenue (%)	16.6	16.2	15.1	14.6	14.4
Ontario PDI as a Share of Total Expenditure (%)	15.5	15.6	15.3	15.3	14.6
Ontario PDI as a per cent of GDP	2.4	2.4	2.3	2.2	2.1
Ontario Surplus / (Deficit) as a per cent of GDP	(1.1)	(0.5)	0.2	0.8	0.0
Net Provincial Debt per capita (\$)	10,022	10,076	9,869	9,468	9,317
Net Provincial Debt as a per cent of GDP	31.3	30.3	28.0	25.8	24.8

Sources: Ontario Ministry of Finance and Statistics Canada.

## ONTARIO GDP RISES IN SECOND QUARTER (APRIL-JUNE)

- ◆ Ontario real GDP rose at an annualized pace of 2.3 per cent in the second quarter, following a slight 0.6 per cent decline in the first quarter.
- ◆ For the year 2000, real GDP growth was 5.3 per cent.

## JOB GROWTH MODERATES IN 2001

- ◆ Ontario employment is up 106,300 over the first 10 months compared to the same period in 2000.
- ◆ The moderate job creation in 2001 follows solid gains of 184,000 in 2000 and 198,000 in 1999.
- ◆ Ontario's unemployment rate was 6.6 per cent in October.

## CONSUMER SPENDING RISING IN 2001

- ◆ Over the first eight months of 2001, Ontario retail sales are up 3.5 per cent from a year ago.

## HOUSING MARKET REMAINS STRONG

- ◆ Over the first nine months of 2001, housing starts in Ontario rose 3.6 per cent from the previous year.
- ◆ Ontario home resales are up 7.2 per cent over the first nine months of 2001, compared to a year ago.

## EXPORTS DECLINE WITH SLOWER U.S. ECONOMY

- ◆ Over the first eight months of 2001, Ontario merchandise exports fell 2.8 per cent from a year ago, largely as the result of reduced auto exports to the United States.
- ◆ Ontario manufacturing shipments fell 4.2 per cent during the first eight months of 2001, following a 6.2 per cent rise for the year 2000.

## RISING ENERGY AND FOOD PRICES PUSH UP 2001 INFLATION RATE

- ◆ September Consumer Price Index inflation was 3.1 per cent, down from the recent high of 4.3 per cent in April 2001.
- ◆ Higher energy prices pushed up consumer price inflation in 2000 and 2001. Declining oil and gas prices are now translating into lower rates of inflation.

## KEY ECONOMIC INDICATORS (% Change from previous period, unless indicated otherwise)

		Annual	Annual	Quarterly				
		1999	2000	00:2	00:3	00:4	01:1	01:2
<b>Output (Seasonally Adjusted at Annual Rates)</b>								
Real GDP	Ontario	7.4	5.3	2.2	5.1	3.5	(0.6)	2.3
Nominal GDP	Ontario	7.3	5.9	6.5	5.0	(0.8)	4.4	5.0

		Annual	Annual	Monthly 2001				
		1999	2000	June	July	Aug	Sept	Oct
<b>Other Indicators (Seasonally Adjusted)</b>								
<b>Labour Markets</b>								
Labour Force (Change in 000s)	Ontario	157	157	(5.0)	17.9	14.6	(10.6)	(3.0)
Employment (Change in 000s)	Ontario	198	184	(8.3)	(7.2)	(1.5)	(8.9)	(2.9)
Unemployment Rate (%)	Ontario	6.3	5.7	6.0	6.3	6.6	6.6	6.6
<b>Household Sector</b>								
Retail Sales	Ontario	7.3	7.3	(0.8)	(0.1)	0.7	N/A	N/A
Urban Housing Starts (000s)	Ontario	62.9	67.4	81.5	58.2	80.0	64.6	N/A
New Home Sales*	Toronto	29.4	13.3	10.3	11.3	14.1	(28.4)	N/A
MLS Home Resales*	Ontario	7.4	(1.1)	12.1	15.2	10.1	2.0	N/A
<b>Manufacturing Shipments</b>								
Transportation Equipment	Ontario	13.3	6.2	(4.0)	(0.5)	0.5	N/A	N/A
<b>Consumer Price Index*</b>								
	Ontario	1.9	2.9	3.5	3.1	3.4	3.1	N/A

Sources: Statistics Canada, Ontario Ministry of Finance, Canada Mortgage and Housing Corporation, Greater Toronto Home Builders' Association, and Canadian Real Estate Association.

\* % change from a year earlier

N/A = Data not available

---

# **ONTARIO FINANCES**

## **FINANCIAL TABLES**



# REVENUE

(\$ Millions)		2001-02			
		Actual 2000-01	Budget Plan	Current Outlook	In-Year Change
TAXATION REVENUE					
	Personal Income Tax	18,624	18,010	18,260	250
	Retail Sales Tax	13,735	14,340	14,290	(50)
	Corporations Tax	9,200	8,340	7,940	(400)
	Employer Health Tax	3,424	3,620	3,620	--
	Gasoline Tax	2,172	2,300	2,300	--
	Fuel Tax	648	655	655	--
	Tobacco Tax	504	620	660	40
	Land Transfer Tax	642	670	670	--
	Other Taxation	333	265	265	--
		49,282	48,820	48,660	(160)
GOVERNMENT OF CANADA					
	Canada Health and Social Transfer (CHST)	4,138	5,630	5,630	--
	CHST Supplements	757	380	380	--
	Social Housing	541	530	530	--
	Student Assistance	40	64	64	--
	Indian Welfare Services	131	117	117	--
	Medical Equipment Trust	190	190	190	--
	Bilingualism Development	64	64	64	--
	Employability Assistance for People with Disabilities	63	39	39	--
	Other	205	345	345	--
		6,129	7,359	7,359	--
INCOME FROM GOVERNMENT ENTERPRISES					
	Ontario Lottery and Gaming Corporation	2,181	2,000	2,000	--
	Liquor Control Board of Ontario	877	890	890	--
	Ontario Power Generation Inc. and Hydro One Inc.	928	524	524	--
	Other	14	10	10	--
		4,000	3,424	3,424	--
OTHER REVENUE					
	Vehicle and Driver Registration Fees	929	925	925	--
	Other Fees and Licences	660	685	685	--
	Liquor Licence Revenue	525	518	518	--
	Royalties	235	240	240	--
	Sales and Rentals	637	300	300	--
	Independent Electricity Market Operation Revenues	344	159	159	--
	Local Services Realignment - Reimbursement of Expenditure	1,432	1,223	1,223	--
	Miscellaneous	509	617	619	2
		5,271	4,667	4,669	2
TOTAL REVENUE					
		64,682	64,270	64,112	(158)

# OPERATING EXPENDITURE

(\$ Millions)		2001-02		
MINISTRY	Actual 2000-01	Budget Plan	Current Outlook	In-Year Change
Agriculture, Food and Rural Affairs	401	446	446	--
One-Time and Extraordinary	233	--	--	--
Attorney General	957	979	979	--
Board of Internal Economy	116	117	117	--
Citizenship	77	78	78	--
Community and Social Services	7,620	7,756	7,756	--
Consumer and Business Services	155	168	168	--
Correctional Services	593	610	610	--
Economic Development and Trade	81	106	107	1
Education	7,961	8,471	8,471	--
Teachers' Pension Plan (TPP)	(779)	(230)	(230)	--
Energy, Science and Technology	464	284	286	2
Environment	190	215	218	3
Executive Offices	21	21	21	--
Finance - Own Account	842	773	810	37
Public Debt Interest				
Provincial	8,896	8,795	8,736	(59)
Electricity Sector	520	520	520	--
Community Reinvestment Fund	561	561	561	--
Provision for Electricity Sector	408	4	4	--
Health and Long-Term Care	21,686	23,486	23,712	226
Accelerated Health Care Commitment	498	--	--	--
Major One-Time Health Care Costs	487	190	190	--
Intergovernmental Affairs	4	5	5	--
Labour	104	113	113	--
Management Board Secretariat	214	346	346	--
Retirement Benefits	(209)	30	30	--
Contingency Fund	--	654	551	(103)
Municipal Affairs and Housing	1,792	1,214	1,214	--
Native Affairs Secretariat	16	15	15	--
Natural Resources	417	407	415	8
Northern Development and Mines	113	179	179	--
Office of Francophone Affairs	4	5	5	--
Solicitor General	907	932	944	12
Tourism, Culture and Recreation	360	392	402	10
Training, Colleges and Universities	3,219	3,365	3,365	--
Transportation	593	519	519	--
Year-End Savings	--	(200)	(200)	--
<b>TOTAL OPERATING EXPENDITURE</b>	<b>59,522</b>	<b>61,326</b>	<b>61,463</b>	<b>137</b>

# CAPITAL EXPENDITURE

(\$ Millions)		2001-02		
MINISTRY	Actual 2000-01	Budget Plan	Current Outlook	In-Year Change
Agriculture, Food and Rural Affairs	1	51	51	--
Attorney General	42	55	67	12
Community and Social Services	14	38	38	--
Correctional Services	95	98	98	--
Education	4	16	20	4
Energy, Science and Technology	86	76	76	--
Environment	5	13	21	8
Water Protection Fund	17	5	5	--
Finance	7	13	13	--
SuperBuild Millennium Partnerships	4	100	100	--
Contingency Fund	--	100	79	(21)
Health and Long-Term Care	182	200	200	--
Major One-Time Capital Costs	140	--	--	--
Management Board Secretariat	24	37	37	--
Municipal Affairs and Housing	--	8	8	--
Native Affairs Secretariat	5	7	7	--
Natural Resources	65	99	99	--
Northern Development and Mines	312	327	327	--
Solicitor General	4	9	10	1
Tourism, Culture and Recreation	32	68	68	--
Training, Colleges and Universities	204	51	52	1
Transportation	836	673	673	--
Year-End Savings	--	(100)	(100)	--
<b>TOTAL CAPITAL EXPENDITURE</b>	<b>2,079</b>	<b>1,944</b>	<b>1,949</b>	<b>5</b>

# ONTARIO'S 2001-02 FINANCING PROGRAM

(\$ Millions)		2001-02			
		Actual 2000-01	Budget Plan	Current Outlook	Change from Budget
Surplus / (Deficit)		3,325	140	140	--
Accruals and Consolidations		(4,496)	(2,258)	(2,825)	(567)
Maturities*		(8,145)	(9,557)	(9,467)	90
Provision for Early Redemptions		(1,036)	(1,020)	(1,020)	--
Other Sources / (Uses)		(330)	--	--	--
Net Repayments from / (Loans to) Agencies		766	(42)	(42)	--
Decrease / (Increase) in Liquid Reserves		962	2,551	2,551	--
Increase / (Decrease) in Short-Term Borrowing		(113)	--	--	--
Canada Pension Plan Borrowing		611	1,130	423	(707)
Long-Term Public Borrowing		8,456	9,056	10,240	1,184
of which: Completed				7,369	
Remaining				2,871	

\* Maturing debt is lower than the Budget Plan due to the Province exercising its options on extendible bonds.

◆ Long-term public borrowing undertaken in the second quarter totalled \$1,537 million as follows:

	(\$ Millions)
Domestic Issues	1,438
Euro Medium Term Notes	99
	<b>1,537</b>

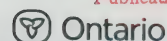
◆ In addition to the borrowing and redemptions shown in the table, the Province has bought back \$261 million of previously issued debt, financing the purchases with similar amounts of debt issued at more favourable rates.

◆ The forecast Net Provincial Debt as of March 31, 2002, is \$110.6 billion, down \$0.1 billion from the 2001 Budget Plan and First Quarter Ontario Finances as a result of the downward revision to Net Provincial Debt reported in the 2000-01 Public Accounts.





## ONTARIO FINANCES



2001-02 THIRD QUARTER

QUARTERLY UPDATE - DECEMBER 31, 2001

Ministry of Finance

Fiscal Summary  
(\$ Millions)

	Actual 2000-01	2001-02		
		Budget Plan	Current Outlook	In-Year Change
<b>Revenue</b>	64,682	64,270	63,864	(406)
<b>Expenditure</b>				
Programs	50,075	52,011	52,283	272
Restructuring and Other Charges	31	--	--	--
<b>Total Program Expenditure</b>	50,106	52,011	52,283	272
<b>Capital</b>	2,079	1,944	1,881	(63)
<b>Public Debt Interest</b>				
Provincial	8,896	8,795	8,730	(65)
Electricity Sector	520	520	520	--
<b>Total Expenditure</b>	61,601	63,270	63,414	144
<b>Less: Reserve</b>	--	1,000	450	(550)
<b>Add: Decrease/(Increase) in Stranded Debt from Electricity Sector Restructuring to be Recovered from Ratepayers*</b>	244	140	140	--
<b>SURPLUS / (DEFICIT)</b>	<b>3,325</b>	<b>140</b>	<b>140</b>	<b>--</b>

\* Reflects the estimated excess of revenue over expenditure of the Ontario Electricity Financial Corporation (OEFC). Consistent with the principles of electricity restructuring, OEFC debt is to be recovered from ratepayers, not taxpayers.

## HIGHLIGHTS

## 2001-02 IN-YEAR PERFORMANCE

## BALANCED BUDGET OUTLOOK

♦ The 2001-02 fiscal outlook is on track with the Budget Plan. As of December 31, 2001, a surplus of \$140 million is projected, unchanged from the 2001 Ontario Budget and Second Quarter Ontario Finances.

## REVENUE AT \$63.9 BILLION

♦ The revenue outlook, at \$63,864 million, is down \$406 million from the Budget Plan and down \$248 million from Second Quarter Ontario Finances, mainly due to decreases in Retail Sales Tax and Employer Health Tax revenue.

## EXPENDITURE AT \$63.4 BILLION

♦ Total expenditure, at \$63,414 million, is up \$144 million from the Budget Plan and up \$2 million from Second Quarter Ontario Finances, mainly due to increased funding for child welfare services and additional forest fire-fighting costs incurred during the summer and fall of 2001, partially offset by capital and Public Debt Interest (PDI) savings.

## RESERVE AT \$0.5 BILLION

♦ Ontario's 2001-02 Budget Plan included a \$1 billion reserve designed to protect the balanced budget against unexpected and adverse changes in the economic and fiscal outlook. With economic growth slower than projected and consistent with the role of the reserve in prudent budgeting, an additional \$250 million of the reserve has been allocated in this quarter to ensure the balanced budget target is met. The \$450 million balance of the reserve will be available for debt reduction at year-end if not needed.

For further information contact  
Communications and Corporate Affairs Branch (416) 325-0333  
Frost Building North, Queen's Park  
Toronto M7A 1Z1

Ce rapport est disponible en français.  
Renseignements : Direction des communications et des  
affaires ministérielles, (416) 325-0333  
Édifice Frost Nord, Queen's Park, Toronto M7A 1Z1

This document is available on the Internet at: <http://www.gov.on.ca/FIN/english/engdoc.htm>

JUN 2 1 2002

## FISCAL PERFORMANCE

### REVENUE

- ◆ The revenue outlook, at \$63,864 million, is down \$406 million from the Budget Plan and down \$248 million from Second Quarter Ontario Finances. Major changes this quarter are:
  - ◆ The Retail Sales Tax revenue forecast has been reduced by \$100 million as a result of lower-than-expected retail sales.
  - ◆ The Employer Health Tax forecast has been reduced by \$100 million due to lower-than-expected employment and wage growth.
  - ◆ Gasoline and Fuel Taxes are down \$50 million due to the impact of slower economic growth.
  - ◆ Federal transfers for Bilingualism Development are up \$2 million as a result of a one-time increase under the Special Agreement for School Governance.

### OPERATING EXPENDITURE

- ◆ Net operating expenditure, at \$61,533 million, is up \$207 million from the Budget Plan and up \$70 million from Second Quarter Ontario Finances. Major changes this quarter include:
  - ◆ Ministry of Agriculture, Food and Rural Affairs: Savings of \$5 million due to underspending in the Healthy Futures Program.
  - ◆ Ministry of the Attorney General: A reduction of \$2 million to reflect the transfer of funding to the Ministry of the Solicitor General to support police training activities related to domestic violence intervention orders.
  - ◆ Ministry of Community and Social Services: An additional \$48 million to provide the resources needed to support Children's Aid Societies in their work to protect children.
  - ◆ Ministry of Consumer and Business Services: An additional \$4 million for enhanced identity verification in the Birth Registration and Certificate Issuance System, partially offset by underspending of \$3 million due to extended implementation of electronic service delivery initiatives.
  - ◆ Ministry of Economic Development and Trade: A reduction of \$1 million to reflect the transfer of \$1 million to Ministry of Municipal Affairs and Housing capital expenditure to support the Walkerton Business Recovery Plan.
  - ◆ Ministry of Education: An additional \$2 million to enhance programs covered under the Special Agreement for School Governance, fully offset by federal funding.
  - ◆ Ministry of Energy, Science and Technology: An increase of \$3 million for consumer education related to electricity market opening, fully offset from the Contingency Fund.
  - ◆ Ministry of Municipal Affairs and Housing: An additional \$1 million for the World Youth Day National Office and an additional \$5 million in assistance to the residents and businesses in Brockton.
  - ◆ Ministry of Natural Resources: An additional \$25 million for forest fire-fighting costs incurred during the summer and fall of 2001.
  - ◆ Ministry of the Solicitor General: An additional \$2 million for police training related to domestic violence intervention orders, transferred from the Ministry of the Attorney General.
- ◆ The Public Debt Interest forecast of \$9,250 million consists of \$8,730 million related to the Province's borrowing on its own behalf and \$520 million related to the interest on debt issued for investment in the electricity sector. This forecast is down \$65 million from the Budget Plan and down \$6 million from Second Quarter Ontario Finances due to lower-than-expected interest rates and cost-effective debt management.

### CAPITAL EXPENDITURE

- ◆ Capital expenditure, at \$1,881 million, is down \$63 million from the Budget Plan and down \$68 million from Second Quarter Ontario Finances. The major changes this quarter are as follows:
  - ◆ Ministry of the Attorney General: Underspending of \$6 million due to slower-than-expected construction of court projects.
  - ◆ Ministry of Correctional Services: A decrease of \$17 million due to construction delays in the Adult Infrastructure Renewal Program and the Young Offenders System.
  - ◆ Ministry of Energy, Science and Technology: Underspending of \$2 million due to later-than-expected establishment of Biotechnology Commercialization Centres and \$3 million due to delays in developing Connect Ontario proposals.
  - ◆ Ministry of Municipal Affairs and Housing: An additional \$3 million for Brockton capital projects fully offset from the Capital Contingency Fund and an additional \$2 million for the Walkerton Business Recovery Plan partially offset by \$1 million transferred from Ministry of Economic Development and Trade operating expenditure.
  - ◆ Ministry of Natural Resources: Savings of \$7 million mainly due to slower-than-planned upgrading of fire management facilities and enhancements to provincial park facilities.
  - ◆ Ministry of Tourism, Culture and Recreation: Underspending of \$35 million in the Sports, Culture and Tourism Partnerships initiative.

## Statement of Financial Transactions (\$ Millions)

	Actual 1997-98	Actual 1998-99	Actual 1999-00	Actual 2000-01	Q3 2001-02
<b>Revenue</b>	52,518	55,786	62,931	64,682	63,864
<b>Expenditure</b>					
Programs	43,709	46,509	47,369	50,075	52,283
Restructuring and Other Charges	1,595	76	211	31	--
Total Program Expenditure	45,304	46,585	47,580	50,106	52,283
Capital	2,451	2,187	4,832	2,079	1,881
Public Debt Interest					
Provincial	8,729	9,016	8,977	8,896	8,730
Electricity Sector	--	--	520	520	520
Total Expenditure	56,484	57,788	61,909	61,601	63,414
Less: Reserve	--	--	--	--	450
Add: Decrease/(Increase) in Stranded Debt from Electricity Sector Restructuring to be Recovered from Ratepayers*	--	--	(354)	244	140
<b>SURPLUS / (DEFICIT)</b>	<b>(3,966)</b>	<b>(2,002)</b>	<b>668</b>	<b>3,325</b>	<b>140</b>
<b>NET PROVINCIAL DEBT †</b>	<b>112,735</b>	<b>114,737</b>	<b>113,715</b>	<b>110,634</b>	<b>110,634</b>

\* Reflects the estimated excess of revenue over expenditure of the Ontario Electricity Financial Corporation (OEFC). Consistent with the principles of electricity restructuring, OEFC debt is to be recovered from ratepayers, not taxpayers.

† Net Provincial Debt represents total Liabilities less Financial Assets.

## Selected Economic and Fiscal Statistics

	Actual 1997-98	Actual 1998-99	Actual 1999-00	Actual 2000-01	Q3 2001-02
Ontario Gross Domestic Product (GDP) at Market Prices (\$ Millions)	359,953	378,124	405,625	429,530	446,282
Ontario Population (000s) - July 1	11,249	11,387	11,523	11,685	11,874
Ontario Revenue as a per cent of GDP	14.6	14.8	15.5	15.1	14.3
Ontario Revenue Growth (%)	6.2	6.2	12.8	2.8	(1.3)
Ontario Total Expenditure as a per cent of GDP	15.7	15.3	15.3	14.3	14.2
Ontario Total Expenditure Growth (%)	0.2	2.3	7.1	(0.5)	2.9
Ontario PDI as a Share of Revenue (%)	16.6	16.2	15.1	14.6	14.5
Ontario PDI as a Share of Total Expenditure (%)	15.5	15.6	15.3	15.3	14.6
Ontario PDI as a per cent of GDP	2.4	2.4	2.3	2.2	2.1
Ontario Surplus / (Deficit) as a per cent of GDP	(1.1)	(0.5)	0.2	0.8	0.0
Net Provincial Debt per capita (\$)	10,022	10,076	9,869	9,468	9,317
Net Provincial Debt as a per cent of GDP	31.3	30.3	28.0	25.8	24.8

Sources: Ontario Ministry of Finance and Statistics Canada.



## **ONTARIO GDP FELL IN THIRD QUARTER (JULY-SEPTEMBER)**

- ◆ Ontario real GDP declined by 0.8 per cent in the third quarter of the 2001 calendar year (3.3 per cent at annual rates), following a 0.6 per cent rise in the second quarter.

## **JOB GROWTH CONTINUES IN 2002**

- ◆ In January 2002, Ontario gained 6,900 jobs, while the unemployment rate was 7.4 per cent.
- ◆ Ontario employment was up 90,600 for the year 2001.
- ◆ Ontario's unemployment rate was 6.3 per cent in 2001.

## **CONSUMER SPENDING RISING**

- ◆ In 2001, Ontario retail sales rose 2.9 per cent.

## **HOUSING MARKET REMAINS STRONG**

- ◆ In January 2002, housing starts soared 34 per cent to reach an annual level of 93,500 starts.
- ◆ In 2001, all area housing starts in Ontario rose 2.5 per cent from the previous year.
- ◆ In 2001, Ontario home resales rose 10.3 per cent.
- ◆ In January 2002, Toronto home resales jumped 56.9 per cent from a year ago.

## **EXPORTS DECLINE WITH SLOWER U.S. ECONOMY**

- ◆ In 2001, Ontario merchandise exports fell 4.1 per cent, largely as the result of reduced auto exports to the United States.
- ◆ Ontario manufacturing shipments fell 6.3 per cent in 2001, following a 6.2 per cent rise for the year 2000.

## **RISING ENERGY AND FOOD PRICES PUSH UP 2001 INFLATION RATE**

- ◆ January Consumer Price Index (CPI) inflation was 1.2 per cent.
- ◆ In 2001, the Ontario CPI inflation rate was 3.1 per cent, up from 2.9 per cent in 2000.
- ◆ Higher energy prices pushed up consumer price inflation in 2000 and 2001. Declining oil and gas prices are now translating into lower rates of inflation.



## KEY ECONOMIC INDICATORS

(% Change from previous period, unless indicated otherwise)

		Annual	Annual	Quarterly				
		2000	2001	00:3	00:4	01:1	01:2	01:3
<b>Output (Seasonally Adjusted at Annual Rates)</b>								
Real GDP	Ontario	5.3	N/A	5.1	3.5	(1.0)	2.3	(3.3)
Nominal GDP	Ontario	5.9	N/A	5.0	(0.8)	3.3	3.6	(3.2)
		Annual	Annual	Monthly 2001-2002				
		2000	2001	Sept	Oct	Nov	Dec	Jan
<b>Other Indicators (Seasonally Adjusted)</b>								
<b>Labour Markets</b>								
Labour Force (Change in 000s)	Ontario	157	137	(11.1)	1.6	26.4	10.9	37.6
Employment (Change in 000s)	Ontario	184	91	(11.1)	0.9	12.7	1.7	6.9
Unemployment Rate (%)	Ontario	5.7	6.3	6.6	6.6	6.8	6.9	7.4
<b>Household Sector</b>								
Retail Sales	Ontario	7.3	2.9	(2.4)	2.4	1.7	1.7	N/A
Urban Housing Starts (000s)	Ontario	67.4	70.3	64.7	68.9	70.0	69.8	93.5
New Home Sales*	Toronto	10.4	2.1	(27.2)	0.7	39.9	87.7	N/A
MLS Home Resales*	Ontario	(1.0)	10.3	2.0	11.9	18.5	46.2	N/A
<b>Manufacturing Shipments</b>								
Transportation Equipment	Ontario	6.2	(6.3)	(1.6)	(2.4)	2.2	(2.3)	N/A
<b>Consumer Price Index*</b>								
	Ontario	2.9	3.1	3.1	2.6	1.2	1.1	1.2

Sources: Statistics Canada, Ontario Ministry of Finance, Canada Mortgage and Housing Corporation, Greater Toronto Home Builders' Association, and Canadian Real Estate Association.

\* % change from a year earlier

N/A = Data not available

**ONTARIO FINANCES**  
**FINANCIAL TABLES**

# REVENUE

(\$ Millions)	2001-02			
	Actual 2000-01	Budget Plan	Current Outlook	In-Year Change
<b>TAXATION REVENUE</b>				
Personal Income Tax	18,624	18,010	18,260	250
Retail Sales Tax	13,735	14,340	14,190	(150)
Corporations Tax	9,200	8,340	7,940	(400)
Employer Health Tax	3,424	3,620	3,520	(100)
Gasoline Tax	2,172	2,300	2,260	(40)
Fuel Tax	648	655	645	(10)
Tobacco Tax	504	620	660	40
Land Transfer Tax	642	670	670	--
Other Taxation	333	265	265	--
	<b>49,282</b>	<b>48,820</b>	<b>48,410</b>	<b>(410)</b>
<b>GOVERNMENT OF CANADA</b>				
Canada Health and Social Transfer (CHST)	4,138	5,630	5,630	--
CHST Supplements	757	380	380	--
Social Housing	541	530	530	--
Student Assistance	40	64	64	--
Indian Welfare Services	131	117	117	--
Medical Equipment Trust	190	190	190	--
Bilingualism Development	64	64	66	2
Employability Assistance for People with Disabilities	63	39	39	--
Other	205	345	345	--
	<b>6,129</b>	<b>7,359</b>	<b>7,361</b>	<b>2</b>
<b>INCOME FROM GOVERNMENT ENTERPRISES</b>				
Ontario Lottery and Gaming Corporation	2,181	2,000	2,000	--
Liquor Control Board of Ontario	877	890	890	--
Ontario Power Generation Inc. and Hydro One Inc.	928	524	524	--
Other	14	10	10	--
	<b>4,000</b>	<b>3,424</b>	<b>3,424</b>	<b>--</b>
<b>OTHER REVENUE</b>				
Vehicle and Driver Registration Fees	929	925	925	--
Other Fees and Licences	660	685	685	--
Liquor Licence Revenue	525	518	518	--
Royalties	235	240	240	--
Sales and Rentals	637	300	300	--
Independent Electricity Market Operation Revenues	344	159	159	--
Local Services Realignment - Reimbursement of Expenditure	1,432	1,223	1,223	--
Miscellaneous	509	617	619	2
	<b>5,271</b>	<b>4,667</b>	<b>4,669</b>	<b>2</b>
<b>TOTAL REVENUE</b>	<b>64,682</b>	<b>64,270</b>	<b>63,864</b>	<b>(406)</b>

# OPERATING EXPENDITURE

(\$ Millions)		2001-02		
MINISTRY	Actual 2000-01	Budget Plan	Current Outlook	In-Year Change
Agriculture, Food and Rural Affairs	401	446	441	(5)
One-Time and Extraordinary	233	--	--	--
Attorney General	957	979	977	(2)
Board of Internal Economy	116	117	117	--
Citizenship	77	78	78	--
Community and Social Services	7,620	7,756	7,804	48
Consumer and Business Services	155	168	169	1
Correctional Services	593	610	610	--
Economic Development and Trade	81	106	106	--
Education	7,961	8,471	8,473	2
Teachers' Pension Plan (TPP)	(779)	(230)	(230)	--
Energy, Science and Technology	464	284	289	5
Environment	190	215	218	3
Executive Offices	21	21	21	--
Finance - Own Account	842	773	810	37
Public Debt Interest				
Provincial	8,896	8,795	8,730	(65)
Electricity Sector	520	520	520	--
Community Reinvestment Fund	561	561	561	--
Provision for Electricity Sector	408	4	4	--
Health and Long-Term Care	21,686	23,486	23,712	226
Accelerated Health Care Commitment	498	--	--	--
Major One-Time Health Care Costs	487	190	190	--
Intergovernmental Affairs	4	5	5	--
Labour	104	113	113	--
Management Board Secretariat	214	346	346	--
Retirement Benefits	(209)	30	30	--
Contingency Fund	--	654	548	(106)
Municipal Affairs and Housing	1,792	1,214	1,220	6
Native Affairs Secretariat	16	15	15	--
Natural Resources	417	407	440	33
Northern Development and Mines	113	179	179	--
Office of Francophone Affairs	4	5	5	--
Solicitor General	907	932	946	14
Tourism, Culture and Recreation	360	392	402	10
Training, Colleges and Universities	3,219	3,365	3,365	--
Transportation	593	519	519	--
Year-End Savings	--	(200)	(200)	--
<b>TOTAL OPERATING EXPENDITURE</b>	<b>59,522</b>	<b>61,326</b>	<b>61,533</b>	<b>207</b>

# CAPITAL EXPENDITURE

(\$ Millions)	2001-02			
	Actual 2000-01	Budget Plan	Current Outlook	In-Year Change
MINISTRY				
Agriculture, Food and Rural Affairs	1	51	51	--
Attorney General	42	55	61	6
Community and Social Services	14	38	38	--
Correctional Services	95	98	81	(17)
Education	4	16	20	4
Energy, Science and Technology	86	76	71	(5)
Environment	5	13	21	8
Water Protection Fund	17	5	5	--
Finance	7	13	13	--
SuperBuild Millennium Partnerships	4	100	100	--
Contingency Fund	--	100	76	(24)
Health and Long-Term Care	182	200	200	--
Major One-Time Capital Costs	140	--	--	--
Management Board Secretariat	24	37	37	--
Municipal Affairs and Housing	--	8	13	5
Native Affairs Secretariat	5	7	7	--
Natural Resources	65	99	92	(7)
Northern Development and Mines	312	327	327	--
Solicitor General	4	9	10	1
Tourism, Culture and Recreation	32	68	33	(35)
Training, Colleges and Universities	204	51	52	1
Transportation	836	673	673	--
Year-End Savings	--	(100)	(100)	--
<b>TOTAL CAPITAL EXPENDITURE</b>	<b>2,079</b>	<b>1,944</b>	<b>1,881</b>	<b>(63)</b>



# ONTARIO'S 2001-02 FINANCING PROGRAM

(\$ Millions)	2001-02			
	Actual 2000-01	Budget Plan	Current Outlook	Change from Budget
Surplus / (Deficit)	3,325	140	140	--
Accruals and Consolidations	(4,496)	(2,258)	(3,075)	(817)
Maturities*	(8,145)	(9,557)	(9,467)	90
Provision for Early Redemptions	(1,036)	(1,020)	(1,523)	(503)
Other Sources / (Uses)	(330)	--	--	--
Net Repayments from / (Loans to) Agencies	766	(42)	(42)	--
Decrease / (Increase) in Liquid Reserves	962	2,551	2,551	--
Increase / (Decrease) in Short-Term Borrowing	(113)	--	--	--
Canada Pension Plan Borrowing	611	1,130	157	(973)
Long-Term Public Borrowing	8,456	9,056	11,259	2,203
of which: Completed			9,051	
Remaining			2,208	

\* Maturing debt is lower than the Budget Plan due to the Province exercising its options on extendible bonds.

◆ Proceeds from long-term public borrowing undertaken in the third quarter were \$1,682 million as follows:

	(\$ Millions)
Domestic Issues	594
Global US Issues	793
Euro Canadian Dollar Issues	295
	<b>1,682</b>

◆ In addition to the borrowing and redemptions shown in the table, the Province has bought back \$361 million of previously issued debt, financing the purchases with similar amounts of debt issued at more favourable rates.

◆ The forecast Net Provincial Debt as of March 31, 2002, is \$110.6 billion, down \$0.1 billion from the 2001 Budget Plan as a result of the downward revision to Net Provincial Debt reported in the 2000-01 Public Accounts.



## Fiscal Summary (\$ Millions)

	Interim 2001-02	Budget Plan	2002-03	
			Current Outlook	In-Year Change
<b>Revenue</b>	63,463	66,544	66,546	2
<b>Expenditure</b>				
Programs	52,413	54,384	54,386	2
Gross Capital Expenditure	1,850	2,713	2,713	--
Less: Net Investment in Capital Assets*	--	634	634	--
Public Debt Interest				
Provincial	8,553	8,550	8,550	--
Electricity Sector	520	520	520	--
<b>Total Expenditure</b>	63,336	65,533	65,535	2
Less: Reserve	--	1,000	1,000	--
Add: Decrease/(Increase) in Stranded Debt from Electricity Sector Restructuring to be Recovered from Ratepayers**	(69)	(11)	(11)	--
<b>SURPLUS / (DEFICIT)</b>	<b>58</b>	<b>0</b>	<b>0</b>	<b>--</b>

\* Starting in 2002-03, major tangible capital assets owned by the Province (land, buildings and transportation infrastructure) are accounted for on a full accrual accounting basis. Other tangible capital assets will continue to be booked as expenditure in the year of acquisition.

\*\* Reflects the estimated excess of revenue over expenditure of the Ontario Electricity Financial Corporation (OEFC). Consistent with the principles of electricity restructuring, OEFC debt is to be recovered from ratepayers, not taxpayers.

## HIGHLIGHTS

### 2002-03 IN-YEAR PERFORMANCE

#### BALANCED BUDGET OUTLOOK

- ◆ The 2002-03 fiscal outlook is on track with the Budget Plan. As of June 30, 2002, a balanced budget is projected, unchanged from the Budget Plan.

#### REVENUE AT \$66.5 BILLION

- ◆ The revenue outlook, at \$66,546 million, is up \$2 million from the Budget Plan due to increased revenue for policing services provided by the Ontario Provincial Police.

#### EXPENDITURE AT \$65.5 BILLION

- ◆ Total expenditure, at \$65,535 million, is up a net \$2 million from the Budget Plan due to OPP municipal policing services contracts.

#### RESERVE AT \$1 BILLION

- ◆ Ontario's 2002-03 fiscal plan includes a \$1 billion reserve designed to protect the balanced budget against unexpected and adverse changes in the economic and fiscal outlook. The reserve will be available for debt reduction if not needed.

## FISCAL PERFORMANCE

### REVENUE

- ◆ The revenue outlook, at \$66,546 million, is up \$2 million from the Budget Plan. The sole change this quarter is:
  - ◆ Miscellaneous Revenue is up \$2 million for policing services provided to the County of Wellington, the Municipality of Meaford and the towns of Lakeshore and the Blue Mountains.

### OPERATING EXPENDITURE

- ◆ Net operating expenditure, at \$63,456 million, is up \$2 million from the Budget Plan. Changes this quarter include:
  - ◆ Ministry of Municipal Affairs and Housing: An additional \$3 million to provide immediate emergency assistance to residents, small businesses and farmers affected by severe flooding in Northwestern Ontario and to establish an Ontario Disaster Relief office in Fort Frances, fully offset from the Contingency Fund.
  - ◆ Ministry of Public Safety and Security: An additional \$2 million for OPP municipal policing services contracts for the County of Wellington, the Municipality of Meaford and the towns of Lakeshore and the Blue Mountains, offset by revenue.
- ◆ The Public Debt Interest forecast of \$9,070 million, consisting of \$8,550 million related to the Province's borrowing on its own behalf and \$520 million related to the interest on debt issued for investment in the electricity sector, is unchanged from the Budget Plan.

### CAPITAL EXPENDITURE

- ◆ Net capital expenditure, at \$2,079 million, is unchanged from the Budget Plan. Changes this quarter include:
  - ◆ Ministry of Enterprise, Opportunity and Innovation: An additional \$8 million towards the construction of the Region of Waterloo Research and Technology Park, transferred from the SuperBuild Millennium Partnerships including \$4 million in Canada-Ontario Infrastructure Program contributions.
  - ◆ Ministry of Municipal Affairs and Housing: An additional \$3 million to cover the cost of repairs to municipal capital infrastructure damaged during severe flooding in Northwestern Ontario, fully offset from the Capital Contingency Fund.

## Statement of Financial Transactions (\$ Millions)

	Actual 1998-99	Actual 1999-00	Actual 2000-01	Interim 2001-02	Q1 2002-03
<b>Revenue</b>	55,786	62,931	64,682	63,463	66,546
<b>Expenditure</b>					
Programs	46,557	47,525	50,062	52,413	54,386
Gross Capital Expenditure	2,215	4,887	2,123	1,850	2,713
Less: Net Investment in Capital Assets*	--	--	--	--	634
Public Debt Interest					
Provincial	9,016	8,977	8,896	8,553	8,550
Electricity Sector	--	520	520	520	520
<b>Total Expenditure</b>	57,788	61,909	61,601	63,336	65,535
Less: Reserve	--	--	--	--	1,000
Add: Decrease/(Increase) in Stranded Debt from Electricity Sector Restructuring to be Recovered from Ratepayers**	--	(354)	244	(69)	(11)
<b>SURPLUS / (DEFICIT)</b>	<b>(2,002)</b>	<b>668</b>	<b>3,325</b>	<b>58</b>	<b>0</b>
<b>NET PROVINCIAL DEBT***</b>	<b>114,737</b>	<b>113,715</b>	<b>110,634</b>	<b>110,507</b>	<b>110,496</b>

Note: 1998-99 to 2000-01 programs and gross capital expenditure totals restated to reflect reclassification of Northern Ontario Heritage Fund Corporation expenditure from operating to capital.

\* Starting in 2002-03, major tangible capital assets owned by the Province (land, buildings and transportation infrastructure) are accounted for on a full accrual accounting basis. Other tangible capital assets will continue to be booked as expenditure in the year of acquisition.

\*\* Reflects the estimated excess of revenue over expenditure of the Ontario Electricity Financial Corporation (OEFC). Consistent with the principles of electricity restructuring, OEFC debt is to be recovered from ratepayers, not taxpayers.

\*\*\* The definition of Net Provincial Debt for 2002-03 has been adjusted to include the Net Investment in Capital Assets. For all other years, Net Provincial Debt represents total Liabilities less Financial Assets.

## Selected Economic and Fiscal Statistics

	Actual 1998-99	Actual 1999-00	Actual 2000-01	Interim 2001-02	Q1 2002-03
Gross Domestic Product (GDP) at Market Prices (\$ Millions)	378,031	407,754	434,077	444,431	454,799
Ontario Population (000s) - July 1	11,387	11,523	11,685	11,874	12,029
Ontario Revenue as a per cent of GDP	14.8	15.4	14.9	14.3	14.6
Ontario Revenue Growth (%)	6.2	12.8	2.8	(1.9)	4.9
Ontario Total Expenditure as a per cent of GDP	15.3	15.2	14.2	14.3	14.4
Ontario Total Expenditure Growth (%)	2.3	7.1	(0.5)	2.8	3.5
Ontario PDI as a Share of Revenue (%)	16.2	15.1	14.6	14.3	13.6
Ontario PDI as a Share of Total Expenditure (%)	15.6	15.3	15.3	14.3	13.8
Ontario PDI as a per cent of GDP	2.4	2.3	2.2	2.0	2.0
Ontario Surplus / (Deficit) as a per cent of GDP	(0.5)	0.2	0.8	0.0	0.0
Net Provincial Debt per capita (\$)	10,076	9,869	9,468	9,307	9,186
Net Provincial Debt as a per cent of GDP	30.4	27.9	25.5	24.9	24.3

Sources: Ontario Ministry of Finance and Statistics Canada.



## ONTARIO'S REAL GDP GREW BY 1.7 PER CENT (6.9 PER CENT ANNUALIZED) IN THE FIRST QUARTER OF 2002

- ◆ This marked the strongest growth in over two years.
- ◆ The main contributors of growth were real consumer spending (+0.8 per cent), machinery and equipment investment (+2.5 per cent) and housing construction (+3.7 per cent). Other highlights included a drop of pace in inventory depletion (-\$5.8 billion compared to -\$8.0 billion the previous quarter) and a widening of Ontario's real trade surplus.

## JOB GROWTH CONTINUES IN 2002

- ◆ Ontario job creation continues with 48,200 net new jobs created over the first half of 2002, compared to the same period in 2001.
- ◆ In June, Ontario employment rose 12,000, following a similar 12,100 gain in May.
- ◆ Ontario's unemployment rate was 7.1 per cent in June.

## CONSUMER SPENDING RISING IN 2002

- ◆ Over the first four months of 2002, Ontario retail sales are up 5.9 per cent from the same period a year ago.

## HOUSING MARKET REMAINS STRONG

- ◆ Over the first half of 2002, housing starts in Ontario rose 12.5 per cent from the same period last year.
- ◆ Ontario home resales are up 23.4 per cent over the first five months of 2002, compared to the same period in 2001.

## EXPORTS AND SHIPMENTS UP

- ◆ Over the first four months of 2002, Ontario merchandise exports rose 2.1 per cent from the same period in 2001.
- ◆ Ontario manufacturing shipments rose 0.3 per cent during the first four months of 2002, from the same period a year ago.

## LOWER ENERGY PRICES HAVE MODERATING EFFECT ON 2002 INFLATION RATE

- ◆ In May, Ontario's year-over-year inflation was 0.8 per cent, down sharply from 1.4 per cent in April.
- ◆ Lower prices for petroleum products compared to 12 months earlier continued to have a moderating effect on the overall increase.

## KEY ECONOMIC INDICATORS

(% Change from previous period, unless indicated otherwise)

		Annual	Annual	Quarterly				
		2000	2001	01:1	01:2	01:3	01:4	02:1
<b>Output (Seasonally Adjusted at Annual Rates)</b>								
Real GDP	Ontario	5.5	1.1	(2.5)	2.7	(3.0)	0.9	6.9
Nominal GDP	Ontario	6.5	2.4	3.2	3.9	(1.4)	(1.5)	10.6

		Annual	Annual	Monthly 2002				
		2000	2001	Feb	Mar	Apr	May	Jun
<b>Other Indicators (Seasonally Adjusted)</b>								
<b>Labour Markets</b>								
Labour Force (Change in 000s)	Ontario	157	137	(10)	23	(3)	14	17
Employment (Change in 000s)	Ontario	184	91	20	17	(2)	12	12
Unemployment Rate (%)	Ontario	5.7	6.3	6.9	7.0	7.0	7.0	7.1
<b>Household Sector</b>								
Retail Sales	Ontario	7.3	2.6	(1.8)	0.2	1.0	N/A	N/A
Urban Housing Starts (000s)	Ontario	67.4	70.3	74.6	80.6	71.6	82.3	76.9
New Home Sales*	Toronto	10.4	2.1	117.3	76.2	44.9	38.2	N/A
MLS Home Resales*	Ontario	(1.0)	10.3	35.3	17.6	30.0	6.8	N/A
<b>Manufacturing Shipments</b>								
Transportation Equipment	Ontario	6.2	(6.4)	1.4	(1.1)	6.4	N/A	N/A
<b>Consumer Price Index*</b>								
	Ontario	2.9	3.1	1.4	1.9	1.4	0.8	N/A

Sources: Statistics Canada, Ontario Ministry of Finance, Canada Mortgage and Housing Corporation, Greater Toronto Home Builders' Association, Canadian Real Estate Association and Ward's Automotive.

\* % change from a year earlier

N/A = Data not available



**ONTARIO FINANCES**  
**FINANCIAL TABLES**

# REVENUE

(\$ Millions)	Interim 2001-02	2002-03		In-Year Change
		Budget Plan	Current Outlook	
<b>TAXATION REVENUE</b>				
Personal Income Tax	19,195	19,085	19,085	--
Retail Sales Tax	13,753	14,230	14,230	--
Corporations Tax	6,690	6,150	6,150	--
Employer Health Tax	3,518	3,695	3,695	--
Gasoline Tax	2,184	2,260	2,260	--
Fuel Tax	641	655	655	--
Tobacco Tax	671	1,325	1,325	--
Land Transfer Tax	675	735	735	--
Other Taxation	225	225	225	--
	<b>47,552</b>	<b>48,360</b>	<b>48,360</b>	<b>--</b>
<b>GOVERNMENT OF CANADA</b>				
Canada Health and Social Transfer (CHST)	6,211	6,808	6,808	--
Social Housing	528	530	530	--
Student Assistance	31	64	64	--
Medical Equipment Trust	190	--	--	--
Indian Welfare Services	123	127	127	--
Young Offenders Act	119	61	61	--
Bilingualism Development	64	64	64	--
Employability Assistance for People with Disabilities	68	33	33	--
Infrastructure	11	225	225	--
Other	439	278	278	--
	<b>7,784</b>	<b>8,190</b>	<b>8,190</b>	<b>--</b>
<b>INCOME FROM GOVERNMENT ENTERPRISES</b>				
Ontario Lottery and Gaming Corporation	2,226	2,300	2,300	--
Liquor Control Board of Ontario	905	954	954	--
Ontario Power Generation Inc. and Hydro One Inc.	179	480	480	--
Other	8	9	9	--
	<b>3,318</b>	<b>3,743</b>	<b>3,743</b>	<b>--</b>
<b>OTHER REVENUE</b>				
Vehicle and Driver Registration Fees	936	963	963	--
Other Fees and Licences	657	692	692	--
Liquor Licence Revenue	524	515	515	--
Royalties	242	237	237	--
Sales and Rentals	586	2,424	2,424	--
Independent Electricity Market Operation Revenue	137	160	160	--
Local Services Realignment - Reimbursement of Expenditure	1,125	751	751	--
Miscellaneous	602	509	511	2
	<b>4,809</b>	<b>6,251</b>	<b>6,253</b>	<b>2</b>
<b>TOTAL REVENUE</b>	<b>63,463</b>	<b>66,544</b>	<b>66,546</b>	<b>2</b>



# OPERATING EXPENDITURE

(\$ Millions)		2002-03		
MINISTRY	Interim 2001-02	Budget Plan	Current Outlook	In-Year Change
Agriculture and Food*	464	572	572	--
One-Time and Extraordinary Costs	328	--	--	--
Attorney General*	981	966	966	--
Board of Internal Economy	113	117	117	--
Citizenship	75	69	69	--
Community, Family and Children's Services	7,780	7,814	7,814	--
Consumer and Business Services	175	171	171	--
Culture	271	277	277	--
Education	8,429	8,746	8,746	--
Teachers' Pension Plan (TPP)	3	149	149	--
Enterprise, Opportunity and Innovation	225	264	264	--
Environment and Energy	344	363	363	--
Executive Offices	21	21	21	--
Finance - Own Account*	749	802	802	--
Public Debt Interest				
Provincial	8,553	8,550	8,550	--
Electricity Sector	520	520	520	--
Community Reinvestment Fund	557	582	582	--
Provision for Electricity Sector	--	--	--	--
Health and Long-Term Care	23,709	25,452	25,452	--
Major One-Time Health Care Costs	190	--	--	--
Intergovernmental Affairs	5	4	4	--
Labour	113	114	114	--
Management Board Secretariat	386	230	230	--
Retirement Benefits	168	(42)	(42)	--
Contingency Fund	--	861	858	(3)
OPS Employee Severance (Net)	(17)	--	--	--
Municipal Affairs and Housing*	1,129	688	691	3
Native Affairs Secretariat	14	15	15	--
Natural Resources	433	413	413	--
Northern Development and Mines**	79	77	77	--
Office of Francophone Affairs	5	3	3	--
Public Safety and Security	1,603	1,530	1,532	2
Tourism and Recreation*	143	133	133	--
Training, Colleges and Universities	3,257	3,521	3,521	--
Transportation	681	772	772	--
Year-End Savings	--	(300)	(300)	--
<b>TOTAL OPERATING EXPENDITURE</b>	<b>61,486</b>	<b>63,454</b>	<b>63,456</b>	<b>2</b>

\* Preliminary allocations pending finalization of new ministry structures. All other ministries reflect recently announced government structure.

\*\* Reflects Northern Ontario Heritage Fund Corporation expenditure reclassified from operating to capital.

# CAPITAL EXPENDITURE

(\$ Millions)		2002-03		
		Interim 2001-02	Budget Plan	In-Year Change
<b>MINISTRY</b>				
Agriculture and Food*	29	197	197	--
Attorney General*	46	51	51	--
Community, Family and Children's Services	32	27	27	--
Consumer and Business Services	--	1	1	--
Culture	9	10	10	--
Education	15	10	10	--
Enterprise, Opportunity and Innovation	18	39	47	8
Environment and Energy	58	85	85	--
Water Protection Fund	1	3	3	--
Finance – Own Account*	11	24	24	--
SuperBuild Millennium Partnerships	--	110	102	(8)
Contingency Fund	--	100	97	(3)
Health and Long-Term Care	203	342	342	--
Management Board Secretariat	29	46	46	--
Municipal Affairs and Housing*	3	4	7	3
Native Affairs Secretariat	3	6	6	--
Natural Resources	70	80	80	--
Northern Development and Mines†	379	376	376	--
Public Safety and Security	89	92	92	--
Tourism and Recreation*	12	125	125	--
Training, Colleges and Universities	52	67	67	--
Transportation	791	1,018	1,018	--
Year-End Savings	--	(100)	(100)	--
<b>TOTAL GROSS CAPITAL EXPENDITURE**</b>	<b>1,850</b>	<b>2,713</b>	<b>2,713</b>	<b>--</b>
Less: Net Investment in Capital Assets***	--	634	634	--
<b>Net Capital Expenditure</b>	<b>1,850</b>	<b>2,079</b>	<b>2,079</b>	<b>--</b>

\* Preliminary allocations pending finalization of new ministry structures. All other ministries reflect recently announced government structure.

\*\* Gross Capital Expenditure includes the following: i) acquisition or construction of major tangible capital assets owned by the Province (land, buildings and transportation infrastructure) and other tangible capital assets; ii) repairs and maintenance; and iii) transfers for capital purposes.

† Reflects Northern Ontario Heritage Fund Corporation expenditure reclassified from operating to capital.

(\$ Millions)	2002-03		
	Budget Plan	Current Outlook	In-Year Change
<b>SCHEDULE OF NET INVESTMENT IN CAPITAL ASSETS</b>			
Acquisition/Construction of Major Tangible Capital Assets	1,367	1,367	--
Amortization of Provincially Owned Major Tangible Capital Assets	(733)	(733)	--
<b>Net Investment in Capital Assets***</b>	<b>634</b>	<b>634</b>	<b>--</b>

\*\*\* Starting in 2002-03, major tangible capital assets owned by the Province (land, buildings and transportation infrastructure) are accounted for on a full accrual accounting basis. Other tangible capital assets will continue to be booked as expenditure in the year of acquisition.

# ONTARIO'S 2002-03 FINANCING PROGRAM

(\$ Millions)	Interim 2001-02	2002-03		
		Budget Plan	Current Outlook	Change from Budget
Surplus / (Deficit)	58	0	0	--
Adjustments for:				
Non-Cash Items Included in Surplus	(1,748)	(2,875)	(2,875)	--
Amortization of Tangible Capital Assets*	--	733	733	--
Acquisitions of Tangible Capital Assets*	--	(1,367)	(1,367)	--
Maturities of Debt	(9,507)	(11,725)	(11,725)	--
Early Redemptions of Debt	(1,581)	(1,200)	(1,200)	--
Canada Pension Plan Borrowing	--	688	688	--
Decrease / (Increase) in Cash and Cash Equivalents	366	3,000	3,000	--
Increase / (Decrease) in Short-Term Borrowing	174	--	--	--
Other Sources / (Uses) of Cash**	(79)	--	--	--
Long-Term Public Borrowing Requirement	12,317	12,746	12,746	--
of which: Completed			4,958	--
Remaining			7,788	--

\* Starting in 2002-03, major tangible capital assets owned by the Province (land, buildings and transportation infrastructure) are accounted for on a full accrual accounting basis. Other tangible capital assets will continue to be booked as expenditure in the year of acquisition.

\*\* Includes net repayment from, or loans to, agencies and an increase or decrease in deposits with the Province of Ontario Savings Office.

◆ Long-term public borrowing undertaken in the first quarter is estimated at \$4,958 million as follows:

	(\$ Millions)
Ontario Savings Bonds	2,598
Domestic Issues	2,215
Euro Medium Term Notes	145
	<b>4,958</b>

◆ The 2002 Ontario Savings Bond (OSB) campaign has raised \$2.6 billion.

◆ In addition to the borrowing and redemptions shown in the table, the Province has bought back \$325 million of previously issued debt, financing the purchases with similar amounts of debt issued at more favourable rates.

◆ The forecast Net Provincial Debt as of March 31, 2003 is \$110.5 billion, unchanged from the 2002 Budget.





# ONTARIO FINANCES

2002-03 SECOND QUARTER

QUARTERLY UPDATE - SEPTEMBER 30, 2002

Government  
Publications Ontario

Ministry of Finance

## Fiscal Summary (\$ Millions)

	Actual 2001-02	2002-03		
		Budget Plan	Current Outlook	In-Year Change
Revenue	63,886	66,544	66,611	67
Expenditure				
Programs	52,523	54,384	54,494	110
Gross Capital Expenditure	1,890	2,713	2,715	2
Less: Net Investment in Capital Assets*	--	634	634	--
Public Debt Interest				
Provincial	8,509	8,550	8,505	(45)
Electricity Sector	520	520	520	--
Total Expenditure	63,442	65,533	65,600	67
Less: Reserve	--	1,000	1,000	--
Add: Decrease/(Increase) in Stranded Debt from Electricity Sector Restructuring to be Recovered from Ratepayers**	(69)	(11)	(11)	--
<b>SURPLUS / (DEFICIT)</b>	<b>375</b>	<b>0</b>	<b>0</b>	<b>--</b>

\* Starting in 2002-03, major tangible capital assets owned by the Province (land, buildings and transportation infrastructure) are accounted for on a full accrual accounting basis. Other tangible capital assets will continue to be booked as expenditure in the year of acquisition.

\*\* Reflects the estimated excess of revenue over expenditure of the Ontario Electricity Financial Corporation (OEFC). Consistent with the principles of electricity restructuring, OEFC debt is to be recovered from ratepayers, not taxpayers.

## HIGHLIGHTS

### 2001-02 PUBLIC ACCOUNTS

- ◆ The 2001-02 Public Accounts, released November 7, 2002, reported the 2001-02 audited actual surplus at \$375 million, up \$317 million from the \$58 million interim estimate in the 2002 Ontario Budget.

### 2002-03 IN-YEAR PERFORMANCE

#### BALANCED BUDGET OUTLOOK

- ◆ The 2002-03 fiscal outlook is on track with the Budget Plan. As of September 30, 2002, a balanced budget is projected, unchanged from the Budget Plan.

#### REVENUE AT \$66.6 BILLION

- ◆ The revenue outlook, at \$66,611 million, is up \$67 million from the Budget Plan and \$65 million from First Quarter Ontario Finances, mainly due to increases in federal payments in support of agriculture and Provincial primary care health initiatives.

#### EXPENDITURE AT \$65.6 BILLION

- ◆ Total expenditure, at \$65,600 million, is up a net \$67 million from the Budget Plan and \$65 million from First Quarter Ontario Finances mainly due to increased support for Ontario farmers and additional forest fire-fighting costs; partially offset by lower Public Debt Interest (PDI) costs.

#### RESERVE AT \$1 BILLION

- ◆ Ontario's 2002-03 fiscal plan includes a \$1 billion reserve designed to protect the balanced budget against unexpected and adverse changes in the economic and fiscal outlook. The reserve will be available for debt reduction if not needed.

For further information contact  
Communications and Corporate Affairs Branch (416) 325-0333  
Frost Building North, Queen's Park  
Toronto M7A 1Z1

Ce rapport est disponible en français.  
Renseignements : Direction des communications et des  
affaires ministérielles, (416) 325-0333  
Édifice Frost Nord, Queen's Park, Toronto M7A 1Z1

This document is available on the Internet at: <http://www.gov.on.ca/FIN/english/engdoc.htm>



## FISCAL PERFORMANCE

### REVENUE

- ◆ The revenue outlook, at \$66,611 million, is up \$67 million from the Budget Plan and \$65 million from First Quarter Ontario Finances. Major changes this quarter are:
  - ◆ The forecast for Land Transfer Tax revenues has been increased by \$40 million reflecting the robust Ontario housing market.
  - ◆ The Tobacco Tax revenue forecast has been reduced by \$100 million reflecting a larger-than-expected decline in cigarette consumption.
  - ◆ The forecasts for Gasoline and Fuel Tax revenues have increased by \$35 million and \$10 million respectively as a result of stronger economic growth.
  - ◆ Other Federal Payments are increased by \$55 million, including a \$31 million federal contribution towards Provincial payments to Ontario farmers in past years and \$24 million in support for Provincial primary care health initiatives.
  - ◆ Independent Electricity Marketing Operator revenues are increased by \$21 million due to recognition of revenues related to ancillary services, rural rate assistance and remote-area subsidies, consistent with the treatment in the 2001-02 Public Accounts. These revenues were not included in the Budget forecast and offset higher corresponding expenditures.
  - ◆ Miscellaneous revenue is increased by \$4 million from the Victims' Justice Fund to support new initiatives as part of a multi-ministry interim response to the Hadley Inquest into domestic violence.

### OPERATING EXPENDITURE

- ◆ Net operating expenditure, at \$63,519 million, is up \$65 million from the Budget Plan and up \$63 million from First Quarter Ontario Finances. Changes this quarter include:
  - ◆ Ministry of Agriculture and Food: An expenditure increase of \$73 million to fund Ontario's portion of a federal-provincial transition program for farmers, partially offset by \$20 million from the Contingency Fund.
  - ◆ Ministry of the Attorney General: An additional \$4 million to fund a legal aid tariff rate increase; \$2 million as the result of the transfer of responsibility for gaming policy from the Ministry of Tourism and Recreation; and an additional \$1 million, offset from the Victims' Justice Fund, for community service improvement grants and domestic violence bail pilot projects as part of a multi-ministry interim response to the Hadley Inquest into domestic violence.
  - ◆ Ministry of Citizenship: An increase of \$1 million for public education and regional conferences as part of a multi-ministry interim response to the Hadley Inquest into domestic violence, offset from the Victims' Justice Fund.
  - ◆ Ministry of Energy: An additional \$21 million, consistent with the treatment in the 2001-02 Public Accounts, to reflect Independent Electricity Marketing Operator expenditures related to ancillary services, rural rate assistance and remote-area subsidies not included in the 2002 Budget, fully offset by revenue.
  - ◆ Ministry of Municipal Affairs and Housing: An additional \$6 million to support the establishment of Smart Growth Panels across the province and to establish the Smart Growth Secretariat to co-ordinate Smart Growth initiatives, fully offset from the Contingency Fund; and an additional \$4 million to help residents, small businesses, farmers, municipalities and municipal organizations affected by severe flooding in Northwestern Ontario earlier in the year.
  - ◆ Ministry of Natural Resources: An increase of \$24 million for forest fire-fighting costs this summer.
  - ◆ Ministry of Tourism and Recreation: An expenditure reduction of \$2 million due to the transfer of responsibility for gaming policy to the Ministry of the Attorney General.

- ◆ The Public Debt Interest forecast of \$9,025 million, consisting of \$8,505 million related to the Province's borrowing on its own behalf and \$520 million related to the interest on debt issued for investment in the electricity sector, is down \$45 million from the Budget Plan and First Quarter Ontario Finances due to lower interest rates and cost-effective debt management.

### CAPITAL EXPENDITURE

- ◆ Net capital expenditure, at \$2,081 million, is up a net \$2 million from the Budget Plan and First Quarter Ontario Finances. Changes this quarter include:
  - ◆ Ministry of the Attorney General: An additional \$2 million for the expansion of the domestic violence court program as part of a multi-ministry interim response to the Hadley Inquest into domestic violence, fully offset from the Victims' Justice Fund.
  - ◆ Ministry of Community, Family and Children's Services: An increase of \$5 million to enhance the safety, security and accessibility of women's shelters as part of a multi-ministry interim response to the Hadley Inquest into domestic violence, fully offset from the Capital Contingency Fund.
  - ◆ Ministry of Northern Development and Mines: An increase of \$17 million as a result of the transfer of funds for highway rehabilitation projects in Northern Ontario from the Ministry of Transportation.
  - ◆ Ministry of Transportation: A decrease of \$17 million as a result of the transfer of funds for highway rehabilitation projects in Northern Ontario to the Ministry of Northern Development and Mines.

## Statement of Financial Transactions (\$ Millions)

	Actual 1998-99	Actual 1999-00	Actual 2000-01	Actual 2001-02	Q2 2002-03
<b>Revenue</b>	55,786	62,931	63,824	63,886	66,611
<b>Expenditure</b>					
Programs	46,557	47,525	50,401	52,523	54,494
Gross Capital Expenditure	2,215	4,887	2,123	1,890	2,715
Less: Net Investment in Capital Assets*	--	--	--	--	634
Public Debt Interest					
Provincial	9,016	8,977	8,896	8,509	8,505
Electricity Sector	--	520	520	520	520
<b>Total Expenditure</b>	57,788	61,909	61,940	63,442	65,600
Less: Reserve	--	--	--	--	1,000
Add: Decrease/(Increase) in Stranded Debt from Electricity Sector Restructuring to be Recovered from Ratepayers**	--	(354)	18	(69)	(11)
<b>SURPLUS / (DEFICIT) AFTER PROVISIONAL ADJUSTMENT FOR CCRA ERROR; AND ACCOUNTING CHANGES†</b>	<b>(2,002)</b>	<b>668</b>	<b>1,902</b>	<b>375</b>	<b>0</b>
<b>Net Provincial Debt</b>	<b>114,737</b>	<b>113,715</b>	<b>112,480</b>	<b>112,036</b>	<b>112,025</b>
Accounting Changes (included in Net Provincial Debt above)					
Provisional Adjustment for CCRA Error			(2,043)		
Retirement Benefits			197		
<b>Net Impact of Accounting Changes</b>			<b>(1,846)</b>	<b>(1,846)</b>	<b>(1,846)</b>
<b>NET PROVINCIAL DEBT - BEFORE PROVISIONAL ADJUSTMENT FOR CCRA ERROR; AND ACCOUNTING CHANGES</b>	<b>114,737</b>	<b>113,715</b>	<b>110,634</b>	<b>110,190</b>	<b>110,179</b>

\* Starting in 2002-03, major tangible capital assets owned by the Province (land, buildings and transportation infrastructure) are accounted for on a full accrual accounting basis. Other tangible capital assets will continue to be booked as expenditure in the year of acquisition.

\*\* Reflects the estimated excess of revenue over expenditure of the Ontario Electricity Financial Corporation (OEFC). Consistent with the principles of electricity restructuring, OEFC debt is to be recovered from ratepayers, not taxpayers.

† Includes provisional adjustment for Canada Customs and Revenue Agency error; retirement benefits accounting policy change in accordance with new Public Sector Accounting Board recommendations; and adjustment to decrease in stranded debt from electricity sector restructuring to be recovered from ratepayers.

## Selected Economic and Fiscal Statistics

	Actual 1998-99	Actual 1999-00	Actual 2000-01	Actual 2001-02	Q2 2002-03
Gross Domestic Product (GDP) at Market Prices (\$ Millions)	377,897	409,099	433,446	443,852	463,825
Ontario Population (000s) - July 1	11,387	11,528	11,698	11,895	12,068
Ontario Revenue as a per cent of GDP	14.8	15.4	14.7	14.4	14.4
Ontario Revenue Growth (%)	6.2	12.8	1.4	0.1	4.3
Ontario Total Expenditure as a per cent of GDP	15.3	15.1	14.3	14.3	14.1
Ontario Total Expenditure Growth (%)	2.3	7.1	0.1	2.4	3.4
Ontario PDI as a Share of Revenue (%)	16.2	15.1	14.8	14.1	13.5
Ontario PDI as a Share of Total Expenditure (%)	15.6	15.3	15.2	14.2	13.8
Ontario PDI as a per cent of GDP	2.4	2.3	2.2	2.0	1.9
Ontario Surplus / (Deficit) as a per cent of GDP	(0.5)	0.2	0.4	0.1	0.0
Net Provincial Debt per capita (\$)	10,076	9,864	9,615	9,419	9,283
Net Provincial Debt as a per cent of GDP	30.4	27.8	26.0	25.2	24.2

Sources: Ontario Ministry of Finance and Statistics Canada.

**JOB GROWTH CONTINUES IN 2002**

- ◆ The Ontario economy added 58,400 net new jobs in the third calendar quarter of 2002 (June to September), after gains of 28,700 in the second quarter and 31,300 in the first quarter.
- ◆ In October, Ontario employment rose 20,300 following a gain of 32,300 in September.
- ◆ Ontario's unemployment rate was 7.2 per cent in October.

**CONSUMER SPENDING RISING**

- ◆ Ontario retail sales were up by 7.6 per cent in July and August compared to the same period a year earlier.
- ◆ Ontario auto sales increased 5.0 per cent over the same period.

**HOUSING MARKET REMAINS STRONG**

- ◆ Ontario housing starts rebounded 6.5 per cent in the third calendar quarter of 2002 with the level rising to 85,100 units, the second highest level of activity in over twelve years. Over the first ten months of 2002, housing starts rose 16.3 per cent from the same period a year ago.
- ◆ Ontario home resales are up 12.8 per cent over the first nine months of 2002, compared to the same period in 2001.

**MANUFACTURING SHIPMENTS UP**

- ◆ Ontario manufacturing shipments rose 5.8 per cent in July and August compared to the same period a year earlier.



## KEY ECONOMIC INDICATORS

(% Change from previous period, unless indicated otherwise)

		Annual	Annual	Quarterly				
		2000	2001	01:1	01:2	01:3	01:4	02:1
Output (Seasonally Adjusted at Annual Rates)*								
Real GDP	Ontario	4.6	1.5	(2.5)	2.7	(3.0)	0.9	6.9
Nominal GDP	Ontario	6.0	2.4	3.2	3.9	(1.4)	(1.5)	10.6

		Annual	Annual	Monthly 2002				
		2000	2001	Jun	Jul	Aug	Sep	Oct
Other Indicators (Seasonally Adjusted)								
Labour Markets								
Labour Force (Change in 000s)	Ontario	157	137	17	17	47	44	11
Employment (Change in 000s)	Ontario	184	91	12	7	44	32	20
Unemployment Rate (%)	Ontario	5.7	6.3	7.1	7.2	7.2	7.3	7.2
Household Sector								
Retail Sales	Ontario	7.3	2.6	3.2	0.3	0.6	N/A	N/A
Urban Housing Starts (000s)	Ontario	67.4	70.1	76.9	91.0	77.3	73.2	85.7
New Home Sales**	Toronto	11.0	3.0	19.3	8.4	(0.9)	37.3	N/A
MLS Home Resales**	Ontario	(1.0)	10.3	(3.5)	(1.3)	(4.3)	15.5	N/A
	Ontario	6.2	(6.4)	(0.5)	2.0	0.4	N/A	N/A
Manufacturing Shipments								
Transportation Equipment	Ontario	0.7	(10.5)	0.9	3.3	(0.8)	N/A	N/A
	Ontario	2.9	3.1	1.2	2.1	2.9	2.3	N/A
Consumer Price Index**								

Sources: Statistics Canada, Ontario Ministry of Finance, Canada Mortgage and Housing Corporation, Greater Toronto Home Builders' Association, Canadian Real Estate Association and Ward's Automotive.

\* Annual growth rates reflect November 7, 2002 release of Statistics Canada Provincial Economic Accounts. Quarterly data may be revised with the forthcoming release of Second Quarter 2002 Ontario Economic Accounts.

\*\* % change from a year earlier

N/A = Data not available



**ONTARIO FINANCES**  
**FINANCIAL TABLES**

# REVENUE

(\$ Millions)	Actual 2001-02	2002-03		
		Budget Plan	Current Outlook	In-Year Change
TAXATION REVENUE				
Personal Income Tax	19,097	19,085	19,085	—
Retail Sales Tax	13,803	14,230	14,230	—
Corporations Tax	6,646	6,150	6,150	—
Employer Health Tax	3,502	3,695	3,695	—
Gasoline Tax	2,192	2,260	2,295	35
Fuel Tax	659	655	665	10
Tobacco Tax	703	1,325	1,225	(100)
Land Transfer Tax	665	735	775	40
Other Taxation	371	225	225	—
	47,638	48,360	48,345	(15)
GOVERNMENT OF CANADA				
Canada Health and Social Transfer (CHST)	6,211	6,808	6,808	—
Social Housing	524	530	530	—
Student Assistance	31	64	64	—
Medical Equipment Trust	190	--	--	—
Indian Welfare Services	123	127	127	—
Young Offenders Act	118	61	61	—
Bilingualism Development	61	64	64	—
Employability Assistance for People with Disabilities	72	33	33	—
Infrastructure	--	225	225	—
Other	424	278	333	55
	7,754	8,190	8,245	55
INCOME FROM GOVERNMENT ENTERPRISES				
Ontario Lottery and Gaming Corporation	2,255	2,300	2,300	—
Liquor Control Board of Ontario	904	954	954	—
Ontario Power Generation Inc. and Hydro One Inc.	179	480	480	—
Other	7	9	9	—
	3,345	3,743	3,743	--
OTHER REVENUE				
Vehicle and Driver Registration Fees	941	963	963	—
Other Fees and Licences	627	692	692	—
Liquor Licence Revenue	530	515	515	—
Royalties	224	237	237	—
Sales and Rentals	344	2,424	2,424	—
Independent Electricity Market Operation Revenue	384	160	181	21
Local Services Realignment - Reimbursement of Expenditure	1,116	751	751	—
Miscellaneous	983	509	515	6
	5,149	6,251	6,278	27
TOTAL REVENUE	63,886	66,544	66,611	67

# OPERATING EXPENDITURE

(\$ Millions)		2002-03		
MINISTRY	Actual 2001-02	Budget Plan	Current Outlook	In-Year Change
Agriculture and Food*	456	572	645	73
One-Time and Extraordinary Costs	319	--	--	--
Attorney General	983	966	973	7
Board of Internal Economy	124	117	117	--
Citizenship	71	69	70	1
Community, Family and Children's Services	7,742	7,814	7,814	--
Consumer and Business Services	172	171	171	--
Culture	279	277	277	--
Education	8,354	8,746	8,746	--
Teachers' Pension Plan (TPP)	42	149	149	--
Energy	367	119	140	21
Enterprise, Opportunity and Innovation	222	264	264	--
Environment	265	244	244	--
Executive Offices	19	21	21	--
Finance - Own Account*	902	802	802	--
Public Debt Interest				
Provincial	8,509	8,550	8,505	(45)
Electricity Sector	520	520	520	--
Community Reinvestment Fund	557	582	582	--
Health and Long-Term Care	23,713	25,452	25,452	--
Major One-Time Health Care Costs	190	--	--	--
Intergovernmental Affairs	4	4	4	--
Labour	110	114	114	--
Management Board Secretariat	263	230	230	--
Retirement Benefits	63	(42)	(42)	--
Contingency Fund	--	861	832	(29)
OPS Employee Severance (Net)	(17)	--	--	--
Municipal Affairs and Housing*	1,135	688	701	13
Native Affairs Secretariat	13	15	15	--
Natural Resources	438	413	437	24
Northern Development and Mines	75	77	77	--
Office of Francophone Affairs	5	3	3	--
Public Safety and Security	1,601	1,530	1,532	2
Tourism and Recreation	144	133	131	(2)
Training, Colleges and Universities	3,248	3,521	3,521	--
Transportation	664	772	772	--
Year-End Savings	--	(300)	(300)	--
<b>TOTAL OPERATING EXPENDITURE</b>	<b>61,552</b>	<b>63,454</b>	<b>63,519</b>	<b>65</b>

\* Preliminary allocations pending finalization of new ministry structures. All other ministries reflect recently announced government structure.

# CAPITAL EXPENDITURE

(\$ Millions)		2002-03		
		Budget Plan	Current Outlook	In-Year Change
MINISTRY	Actual 2001-02			
Agriculture and Food*	29	197	197	--
Attorney General	46	51	53	2
Community, Family and Children's Services	31	27	32	5
Consumer and Business Services	--	1	1	--
Culture	14	10	10	--
Education	17	10	10	--
Energy	50	69	69	--
Enterprise, Opportunity and Innovation	19	39	47	8
Environment	19	16	16	--
Water Protection Fund	1	3	3	--
Finance – Own Account*	11	24	24	--
SuperBuild Millennium Partnerships	--	110	102	(8)
Contingency Fund	--	100	92	(8)
Health and Long-Term Care	205	342	342	--
Management Board Secretariat	28	46	46	--
Municipal Affairs and Housing*	12	4	7	3
Native Affairs Secretariat	3	6	6	--
Natural Resources	70	80	80	--
Northern Development and Mines	371	376	393	17
Public Safety and Security	88	92	92	--
Tourism and Recreation	9	125	125	--
Training, Colleges and Universities	49	67	67	--
Transportation	818	1,018	1,001	(17)
Year-End Savings	--	(100)	(100)	--
<b>TOTAL GROSS CAPITAL EXPENDITURE**</b>	<b>1,890</b>	<b>2,713</b>	<b>2,715</b>	<b>2</b>
Less: Net Investment in Capital Assets***	--	634	634	--
<b>Net Capital Expenditure</b>	<b>1,890</b>	<b>2,079</b>	<b>2,081</b>	<b>2</b>

\* Preliminary allocations pending finalization of new ministry structures. All other ministries reflect recently announced government structure.

\*\* Gross Capital Expenditure includes the following: i) acquisition or construction of major tangible capital assets owned by the Province (land, buildings and transportation infrastructure) and other tangible capital assets; ii) repairs and maintenance; and iii) transfers for capital purposes.

(\$ Millions)	2002-03		
	Budget Plan	Current Outlook	In-Year Change
<b>SCHEDULE OF NET INVESTMENT IN CAPITAL ASSETS</b>			
Acquisition/Construction of Major Tangible Capital Assets	1,367	1,367	--
Amortization of Provincially Owned Major Tangible Capital Assets	(733)	(733)	--
<b>Net Investment in Capital Assets***</b>	<b>634</b>	<b>634</b>	<b>--</b>

\*\*\* Starting in 2002-03, major tangible capital assets owned by the Province (land, buildings and transportation infrastructure) are accounted for on a full accrual accounting basis. Other tangible capital assets will continue to be booked as expenditure in the year of acquisition.



# ONTARIO'S 2002-03 FINANCING PROGRAM

(\$ Millions)	Actual 2001-02	2002-03		
		Budget Plan	Current Outlook	Change from Budget
Surplus / (Deficit)	375	--	--	--
Adjustments for:				
Non-Cash Items Included in Surplus	(2,323)	(2,875)	(2,875)	--
Amortization of Tangible Capital Assets*	--	733	733	--
Acquisitions of Tangible Capital Assets*	--	(1,367)	(1,367)	--
Maturities of Debt	(9,485)	(11,725)	(11,738)	(13)
Early Redemptions of Debt	(1,581)	(1,200)	(1,200)	--
Canada Pension Plan Borrowing	--	688	358	(330)
Decrease / (Increase) in Cash and Cash Equivalents	193	3,000	3,000	--
Increase / (Decrease) in Short-Term Borrowing	626	--	--	--
Other Sources / (Uses) of Cash**	(86)	--	--	--
Long-Term Public Borrowing Requirement	12,281	12,746	13,089	343
of which: Completed			8,897	--
Remaining			4,192	--

\* Starting in 2002-03, major tangible capital assets owned by the Province (land, buildings and transportation infrastructure) are accounted for on a full accrual accounting basis. Other tangible capital assets will continue to be booked as expenditure in the year of acquisition.

\*\* Includes net repayment from, or loans to, agencies and an increase or decrease in deposits with the Province of Ontario Savings Office.

- ◆ Long-term public borrowing undertaken in the second quarter was \$3,939 million as follows:

	(\$ Millions)
Global US Dollar	2,303
Domestic Issues	1,142
Euro Medium Term Notes	494
	<b>3,939</b>

- ◆ Global U.S. Dollar issues accounted for 58 per cent of borrowing for the Province in the second quarter. The Ontario Financing Authority continues to monitor international capital markets for cost-effective borrowing opportunities.
- ◆ Canada Pension Plan borrowing has not been undertaken to date in 2002-03 as it has not been as cost-effective as public borrowing.
- ◆ In addition to the borrowing and redemptions shown in the table, the Province has bought back \$517 million of previously issued debt, financing the purchases with similar amounts of debt issued at more favourable rates.





# ONTARIO FINANCES

2003-04 FIRST QUARTER

QUARTERLY UPDATE - JUNE 30, 2003

Government  
Publications

Ministry of Finance

## Fiscal Summary (\$ Millions)



	Interim 2002-03	2003-04		
		Budget Plan	Current Outlook	In-Year Change
Revenue	66,391	71,566	71,439	(127)
Expenditure				
Programs	55,271	59,390	59,243	(147)
Gross Capital Expenditure	2,467	3,170	3,170	-
Less: Net Investment in Capital Assets	576	702	702	-
Public Debt Interest				
Provincial	8,225	8,188	8,135	(53)
Electricity Sector	520	520	520	-
Total Expenditure	65,907	70,566	70,366	(200)
Less: Reserve	-	1,000	1,000	-
Add: Decrease/(Increase) in Stranded Debt from Electricity Sector Restructuring to be Recovered from Ratepayers*	40	-	-	-
<b>SURPLUS / (DEFICIT) – EXCLUDING SARS IMPACT</b>	<b>524</b>	<b>0</b>	<b>73</b>	<b>73</b>
<b>SARS Impact / No Federal Support</b>				
Expenditure			1,073	
Other Actions: Reduce Contingency Fund			(400)	
Reserve			(600)	
<b>SURPLUS / (DEFICIT) REPORTED THIS QUARTER</b>	<b>524</b>	<b>0</b>	<b>0</b>	<b>-</b>
<b>If Federal Support for SARS</b>				
Revenue (90 per cent of SARS Costs)			965	
Expenditure			1,073	
Contingency Fund			(35)	
<b>SURPLUS / (DEFICIT)</b>	<b>524</b>	<b>0</b>	<b>0</b>	<b>-</b>

\* Reflects the estimated excess of revenue over expenditure of the Ontario Electricity Financial Corporation (OEFC). Consistent with the principles of electricity restructuring, OEFC debt is to be recovered from ratepayers, not taxpayers.

Note: An integrated fiscal summary that incorporates the impact of the SARS outbreak on Provincial finances is shown on page 4.

## HIGHLIGHTS

### 2003-04 IN-YEAR PERFORMANCE

#### BALANCED BUDGET OUTLOOK

- ◆ The 2003-04 fiscal outlook is on track with the 2003 Budget Plan. As of June 30, 2003, a balanced budget is projected, unchanged from the Budget Plan.

#### IMPACT OF SEVERE ACUTE RESPIRATORY SYNDROME (SARS)

- ◆ Excluding the impact of the SARS outbreak on Provincial spending, Ontario would have posted a budget surplus of \$73 million.
- ◆ Ontario will incur an additional \$1,073 million in directly related costs in 2003-04 due to SARS. In the absence of any federal financial support, the Province will offset these higher expenditures by allocating \$600 million of the \$1 billion reserve and reducing the Contingency Fund by \$400 million to maintain the balanced budget. Additional measures may also be required if the federal government does not provide adequate support.

## Expenditure Impact of Severe Acute Respiratory Syndrome (SARS) and Provincial Response (\$ Millions)

	2003-04 Costs	Multi-Year Costs
Extraordinary Costs in the Health Sector	395	395
Compensation for Health Care Workers	330	330
Health Sector Short-Term Action Plan	120	120
Ancillary Revenue Losses (hospitals and other health agencies)	100	100
Compensation for Individuals	10	10
Support for Municipalities and Volunteer Organizations	10	10
Tourism Recovery Plan	84	128
Ontario Investment Attraction Program	5	10
FitzGerald Infectious Diseases Network	2	10
Other Extraordinary Costs	17	17
<b>TOTAL</b>	<b>1,073</b>	<b>1,130</b>

## FISCAL PERFORMANCE

### REVENUE

- ◆ The revenue outlook, at \$71,439 million, is down \$127 million from the Budget Plan. Changes in the first quarter are:
  - ◆ The Personal Income Tax revenue forecast has been decreased by \$90 million due to the unexpected weakness of the Ontario economy in the April to June quarter of 2003.
  - ◆ The Retail Sales Tax revenue forecast has been decreased by \$210 million primarily due to the impact of SARS on the Ontario tourism industry.
  - ◆ The Corporations Tax revenue forecast has been increased by \$200 million due to higher 2002 profit growth than previously estimated, which increases the 2002-03 revenue base and therefore revenues this year.
  - ◆ The Employer Health Tax revenue forecast has been decreased by \$30 million largely due to the impact of SARS on Ontario job creation.
  - ◆ The Reimbursements revenue forecast has been increased by \$3 million due to new OPP municipal policing contracts for the City of Elliot Lake and the Towns of Carlton Place, South Bruce and South Huron, offsetting higher expenditures.

### OPERATING EXPENDITURE

- ◆ Net operating expenditure including the expenditure impacts of the SARS outbreak, at \$68,571 million, is up \$473 million from the Budget Plan. Changes this quarter include:
  - ◆ Ministry of the Attorney General: An additional \$16 million for courts to help ensure that criminal trials proceed within a reasonable period of time, fully offset from the Contingency Fund, and \$3 million for SARS-related extraordinary costs for an investigation into the occurrence and spread of SARS.
  - ◆ Ministry of Enterprise, Opportunity and Innovation: An additional \$7 million in SARS-related expenditure for the FitzGerald Infectious Diseases (FIND) Network and the Ontario Investment Attraction Program.
  - ◆ Ministry of Health and Long-Term Care: An expenditure increase of \$945 million for SARS-related costs including exceptional operating costs, financial assistance to frontline health workers for lost income, ancillary revenue losses at hospitals and other agencies, and ongoing SARS-related expenditures, partially offset by savings of \$150 million from the Contingency Fund; an additional \$10 million for other SARS-related administrative costs; and an additional \$13 million, fully offset from the Contingency Fund, to enhance the West Nile Virus Larvicide Program.
  - ◆ Ministry of Labour: An additional \$1 million for SARS-related extraordinary costs to implement legislation to protect the jobs of quarantined workers.
  - ◆ Management Board Secretariat: To mitigate the impact of SARS and in the absence of any federal support, the Contingency Fund was reduced by \$400 million.
  - ◆ Ministry of Municipal Affairs and Housing: An expenditure increase of \$20 million for SARS-related expenditures to assist municipalities, volunteer organizations and individuals, and \$1 million for SARS-related extraordinary costs for the establishment of the SARS Assistance Office.
  - ◆ Ministry of Natural Resources: An additional \$27 million for forest fire-fighting costs, fully offset from the Contingency Fund.
  - ◆ Ministry of Public Safety and Security: An additional \$3 million for OPP municipal policing contracts for the City of Elliot Lake and for the Towns of Carlton Place, South Bruce and South Huron, offset by revenue; and an additional \$2 million for SARS-related extraordinary costs for the operation of Emergency Management Ontario and SARS screening in provincial correctional institutions.
  - ◆ Ministry of Tourism and Recreation: An additional \$84 million in SARS-related expenditure for the Tourism Recovery Plan.
- ◆ The Public Debt Interest forecast of \$8,655 million, consisting of \$8,135 million related to the Province's borrowing on its own behalf and \$520 million related to the interest on debt issued for investment in the electricity sector is down \$53 million due to lower interest rates and cost-effective debt management.

### CAPITAL EXPENDITURE

- ◆ Gross capital expenditure and net capital expenditure, at \$3,170 million and \$2,468 million respectively, are unchanged from the Budget Plan.



## Statement of Financial Transactions (Including SARS Impact) (\$ Millions)

	Actual 1999-00	Actual 2000-01	Actual 2001-02	Interim 2002-03	Q1 2003-04
<b>Revenue</b>	62,931	63,824	63,886	66,391	71,439
<b>Expenditure</b>					
Programs	47,525	50,401	52,523	55,271	59,916
Gross Capital Expenditure	4,887	2,123	1,890	2,467	3,170
Less: Net Investment in Capital Assets*	-	-	-	576	702
Public Debt Interest					
Provincial	8,977	8,896	8,509	8,225	8,135
Electricity Sector	520	520	520	520	520
<b>Total Expenditure</b>	61,909	61,940	63,442	65,907	71,039
Less: Reserve	-	-	-	-	400
Add: Decrease/(Increase) in Stranded Debt from Electricity Sector Restructuring to be Recovered from Ratepayers**	(354)	18	(69)	40	-
<b>SURPLUS / (DEFICIT)***</b>	<b>668</b>	<b>1,902</b>	<b>375</b>	<b>524</b>	<b>0</b>
Net Provincial Debt after Provisional Adjustment for CCRA Error; and Accounting Changes†	113,715	112,480	112,036	98,352	98,352
Accounting Changes (included in Net Provincial Debt above)					
Provisional Adjustment for CCRA Error		(2,043)	(2,043)	(2,043)	
Retirement Benefits		197	197	197	
Tangible Capital Assets‡				13,200	
<b>Net Impact of Accounting Changes</b>		(1,846)	(1,846)	11,354	11,354
<b>NET PROVINCIAL DEBT - BEFORE PROVISIONAL ADJUSTMENT FOR CCRA ERROR; AND ACCOUNTING CHANGES</b>	<b>113,715</b>	<b>110,634</b>	<b>110,190</b>	<b>109,706</b>	<b>109,706</b>

\* Starting in 2002-03, major tangible capital assets owned by Provincial ministries (land, buildings and transportation infrastructure) are accounted for on a full accrual accounting basis. Other tangible capital assets owned by Provincial ministries will continue to be accounted for as expenditure in the year of acquisition or construction. All capital assets owned by consolidated government organizations are accounted for on a full accrual basis.

\*\* Reflects the estimated excess of revenue over expenditure of the Ontario Electricity Financial Corporation (OEFC). Consistent with the principles of electricity restructuring, OEFC debt is to be recovered from ratepayers, not taxpayers.

\*\*\* Includes provisional adjustment for Canada Customs and Revenue Agency error; retirement benefits accounting policy change in accordance with new Public Sector Accounting Board recommendations; and adjustment to decrease in stranded debt from electricity sector restructuring to be recovered from ratepayers.

† Starting in 2002-03 Net Provincial Debt has been adjusted to include Investment in Capital Assets. For all other years, Net Provincial Debt represents total liabilities less financial assets.

‡ Estimated opening net book value at April 1, 2002.

## Selected Economic and Fiscal Statistics

	Actual 1999-00	Actual 2000-01	Actual 2001-02	Interim 2002-03	Q1 2003-04
Gross Domestic Product (GDP) at Market Prices (\$ Millions)	410,350	438,092	449,780	475,243	499,956
Ontario Population (000s) - July 1	11,528	11,698	11,895	12,068	12,226
Ontario Revenue as a per cent of GDP	15.3	14.6	14.2	14.0	14.3
Ontario Revenue Growth (%)	12.8	1.4	0.1	3.9	7.6
Ontario Total Expenditure as a per cent of GDP	15.1	14.1	14.1	13.9	14.2
Ontario Total Expenditure Growth (%)	7.1	0.1	2.4	3.9	7.8
Ontario PDI as a Share of Revenue (%)	15.1	14.8	14.1	13.2	12.1
Ontario PDI as a Share of Total Expenditure (%)	15.3	15.2	14.2	13.3	12.2
Ontario PDI as a per cent of GDP	2.3	2.1	2.0	1.8	1.7
Ontario Surplus / (Deficit) as a per cent of GDP	0.2	0.4	0.1	0.1	0.0
Net Provincial Debt per capita (\$)	9,864	9,615	9,419	8,150	8,044
Net Provincial Debt as a per cent of GDP	27.7	25.7	24.9	20.7	19.7

Sources: Ontario Ministry of Finance and Statistics Canada.



## ONTARIO ECONOMIC GROWTH CONTINUES IN FIRST QUARTER

- ◆ Ontario's real GDP grew by 0.7 per cent (2.9 per cent annualized) in the first quarter of 2003, up from 0.4 per cent (1.7 per cent annualized) growth in the fourth quarter of 2002.
- ◆ Ontario's economy outperformed both the Canadian economy which advanced 2.4 per cent and the U.S. economy which grew 1.4 per cent at annualized rates in the first quarter.

## JOB GROWTH CONTINUES IN 2003

- ◆ Ontario employment is up 0.9 per cent since the beginning of 2003, a gain of 53,000 jobs. This represents 75 per cent of all job creation in Canada this year.
- ◆ Ontario's unemployment rate was 7.2 per cent in July, below the Canadian average of 7.8 per cent.

## CONSUMER SPENDING RISING

- ◆ Ontario retail sales grew by 1.6 per cent in May. Over the first five months of 2003, retail sales were 4.1 per cent ahead of the same period last year.

## HOUSING MARKET REMAINS STRONG

- ◆ Ontario housing starts rose 12.6 per cent in June, from May, to a level of 86,900 units. Over the first half of 2003, housing starts were 2.4 per cent lower than the same period last year. However, this still represents a very high level of starts, as 2002 was the strongest year in 13 years.
- ◆ The value of building permits issued for Ontario residential construction projects rose 2.0 per cent in the second quarter of the calendar year, following a 2.9 per cent advance in the first quarter.

## EXTERNAL MARKETS SOFT

- ◆ Ontario merchandise exports dropped 4.8 per cent over the first five months of 2003 compared to the same period of 2002. Over the same period the value of Ontario manufacturing shipments increased 1.2 per cent.

## KEY ECONOMIC INDICATORS (% Change from previous period, unless indicated otherwise)

		Annual		Quarterly				
		2001	2002	02:1	02:2	02:3	02:4	03:1
<b>Output (Seasonally Adjusted at Annual Rates)*</b>								
Real GDP	Ontario	1.8	3.8	1.7	0.8	1.0	0.4	0.7
Nominal GDP	Ontario	2.7	5.7	2.6	2.5	1.7	1.4	1.8
		Annual	Annual	Monthly 2003				
		2001	2002	Mar	Apr	May	June	July
<b>Other Indicators (Seasonally Adjusted)</b>								
<b>Labour Markets</b>								
Labour Force (Change in 000s)	Ontario	137	167	8	(12)	24	36	(17)
Employment (Change in 000s)	Ontario	91	105	17	(27)	(1)	17	(8)
Unemployment Rate (%)	Ontario	6.3	7.1	6.5	6.8	7.1	7.3	7.2
<b>Household Sector</b>								
Retail Sales	Ontario	2.6	5.6	(0.7)	(2.3)	1.6	N/A	N/A
Urban Housing Starts (000s)	Ontario	70.8	79.6	72.6	71.1	71.6	81.3	N/A
New Home Sales**	Toronto	2.4	29.0	(45.3)	(36.1)	(13.2)	0.8	N/A
MLS Home Resales**	Ontario	10.3	9.3	(6.4)	(13.4)	(1.4)	18.2	N/A
<b>Manufacturing Shipments</b>								
Transportation Equipment	Ontario	(6.4)	3.4	2.0	(3.5)	0.0	N/A	N/A
<b>Consumer Price Index**</b>	Ontario	(10.5)	6.5	4.1	(3.7)	(0.5)	N/A	N/A

Sources: Statistics Canada, Ontario Ministry of Finance, Canada Mortgage and Housing Corporation, Greater Toronto Home Builders' Association, Canadian Real Estate Association and Ward's Automotive.

\* Annual growth rates reflect April 28, 2003, release of Statistics Canada Provincial Economic Accounts.

\*\* % change from a year earlier

N/A = Data not available

# **ONTARIO FINANCES**

## **FINANCIAL TABLES**

# REVENUE

(\$ Millions)	Interim 2002-03	2003-04		
		Budget Plan	Current Outlook	In-Year Change
<b>TAXATION REVENUE</b>				
Personal Income Tax	18,800	19,905	19,815	(90)
Retail Sales Tax	14,090	14,885	14,675	(210)
Corporations Tax	6,520	6,845	7,045	200
Employer Health Tax	3,590	3,805	3,775	(30)
Gasoline Tax	2,300	2,365	2,365	-
Fuel Tax	685	710	710	-
Tobacco Tax	1,215	1,260	1,260	-
Land Transfer Tax	825	785	785	-
Other Taxation	376	195	195	-
	<b>48,401</b>	<b>50,755</b>	<b>50,625</b>	<b>(130)</b>
<b>GOVERNMENT OF CANADA</b>				
Canada Health and Social Transfer (CHST)	7,386	7,146	7,146	-
New CHST Supplements	967	771	771	-
Social Housing	526	643	643	-
Health Reform Fund	-	386	386	-
Infrastructure	118	285	285	-
Diagnostic and Medical Equipment Fund	-	193	193	-
Other	697	753	753	-
	<b>9,694</b>	<b>10,177</b>	<b>10,177</b>	<b>-</b>
<b>INCOME FROM GOVERNMENT ENTERPRISES</b>				
Ontario Lottery and Gaming Corporation	2,275	2,406	2,406	-
Liquor Control Board of Ontario	953	1,123	1,123	-
Ontario Power Generation Inc. and Hydro One Inc.	650	884	884	-
Other	11	3	3	-
	<b>3,889</b>	<b>4,416</b>	<b>4,416</b>	<b>-</b>
<b>OTHER REVENUE</b>				
Sales and Rentals	321	2,207	2,207	-
Vehicle and Driver Registration Fees	963	952	952	-
Local Services Realignment - Reimbursement of Expenditure	707	711	711	-
Other Fees and Licences	671	677	677	-
Reimbursements	470	503	506	3
Liquor Licence Revenue	528	477	477	-
Royalties	237	225	225	-
Independent Electricity Market Operation Revenue	171	153	153	-
Other Miscellaneous Revenue	339	313	313	-
	<b>4,407</b>	<b>6,218</b>	<b>6,221</b>	<b>3</b>
<b>TOTAL REVENUE</b>	<b>66,391</b>	<b>71,566</b>	<b>71,439</b>	<b>(127)</b>

# OPERATING EXPENDITURE

(\$ Millions)		2003-04		
MINISTRY	Interim 2002-03	Budget Plan	Current Outlook	In-Year Change
Agriculture and Food	602	622	622	-
One-Time and Extraordinary Costs	28	-	-	-
Attorney General*	1,030	1,024	1,043	19
Board of Internal Economy	138	129	129	-
Citizenship	72	76	76	-
Community, Family and Children's Services	7,969	8,281	8,281	-
Consumer and Business Services	179	179	179	-
Culture	263	269	269	-
Education	9,058	9,716	9,716	-
Teachers' Pension Plan (TPP)	296	306	306	-
Energy	120	127	127	-
Enterprise, Opportunity and Innovation*	231	309	316	7
Environment	250	266	266	-
Executive Offices	21	20	20	-
Finance – Own Account	500	612	612	-
Public Debt Interest				
Provincial	8,225	8,188	8,135	(53)
Electricity Sector	520	520	520	-
Support for Children and Seniors	282	674	674	-
Community Reinvestment Fund	624	649	649	-
Provision for Electricity Sector	130	23	23	-
Health and Long-Term Care	25,888	27,595	27,608	13
SARS-Related Health Costs*	-	-	955	955
Intergovernmental Affairs	4	5	5	-
Labour*	118	120	121	1
Management Board Secretariat	223	336	336	-
Retirement Benefits	(131)	218	218	-
Contingency Fund	-	762	156	(606)
Municipal Affairs and Housing*	646	688	709	21
Native Affairs Secretariat	17	15	15	-
Natural Resources	464	450	477	27
Northern Development and Mines	76	77	77	-
Office of Francophone Affairs	3	4	4	-
Public Safety and Security*	1,782	1,601	1,606	5
Tourism and Recreation*	140	147	231	84
Training, Colleges and Universities	3,451	3,994	3,994	-
Transportation	797	796	796	-
Program Review and Evaluation	-	(500)	(500)	-
Year-End Savings	-	(200)	(200)	-
<b>TOTAL OPERATING EXPENDITURE</b>	<b>64,016</b>	<b>68,098</b>	<b>68,571</b>	<b>473</b>

\* Includes increased expenditure related to the \$1,130 million multi-year impact of Severe Acute Respiratory Syndrome (SARS).



# CAPITAL EXPENDITURE

(\$ Millions)	Interim 2002-03	2003-04		
		Budget Plan	Current Outlook	In-Year Change
<b>MINISTRY</b>				
Agriculture and Food	67	1	1	-
Attorney General	51	35	35	-
Community, Family and Children's Services	24	13	13	-
Consumer and Business Services	1	1	1	-
Culture	49	106	106	-
Education	10	16	16	-
Energy	40	30	30	-
Enterprise, Opportunity and Innovation	25	46	46	-
Environment	14	14	14	-
Water Protection Fund	1	1	1	-
Finance – Own Account	8	6	6	-
SuperBuild Millennium Partnerships	4	52	52	-
Contingency Fund	-	200	200	-
Health and Long-Term Care	335	504	504	-
Management Board Secretariat	44	15	15	-
Municipal Affairs and Housing	26	304	304	-
Native Affairs Secretariat	3	3	3	-
Natural Resources	78	91	91	-
Northern Development and Mines	391	347	347	-
Public Safety and Security	67	53	53	-
Tourism and Recreation	58	50	50	-
Training, Colleges and Universities	74	98	98	-
Transportation	1,097	1,284	1,284	-
Year-End Savings	-	(100)	(100)	-
<b>TOTAL GROSS CAPITAL EXPENDITURE*</b>	<b>2,467</b>	<b>3,170</b>	<b>3,170</b>	<b>-</b>
<b>Less: Net Investment in Capital Assets**</b>	<b>576</b>	<b>702</b>	<b>702</b>	<b>-</b>
<b>Net Capital Expenditure</b>	<b>1,891</b>	<b>2,468</b>	<b>2,468</b>	<b>-</b>

\* Gross Capital Expenditure includes the following: i) acquisition or construction of major tangible capital assets owned by the Province (land, buildings and transportation infrastructure) and other tangible capital assets; ii) repairs and maintenance; and iii) transfers for capital purposes. Total gross capital expenditure in 2003-04 includes \$429 million in flow-through funds. Gross capital expenditure excluding flow-through funds is \$2.7 billion.

(\$ Millions)	Current Outlook 2003-04			
	Land and Buildings	Transportation Infrastructure	Government Organizations' Capital Assets	Total
<b>SCHEDULE OF NET INVESTMENT IN CAPITAL ASSETS</b>				
Acquisition/Construction of Major Tangible Capital Assets	133	1,042	346	1,521
Amortization of Provincially Owned Major Tangible Capital Assets	(110)	(546)	(163)	(819)
<b>Net Investment in Capital Assets**</b>	<b>23</b>	<b>496</b>	<b>183</b>	<b>702</b>

\*\* Starting in 2002-03, major tangible capital assets owned by Provincial ministries (land, buildings and transportation infrastructure) are accounted for on a full accrual accounting basis. Other tangible capital assets owned by Provincial ministries will continue to be accounted for as expenditure in the year of acquisition or construction. All capital assets owned by consolidated government organizations are accounted for on a full accrual basis.

# ONTARIO'S 2003-04 FINANCING PROGRAM

(\$ Millions)	Interim 2002-03	2003-04		
		Budget Plan	Current Outlook	In-Year Change
Surplus / (Deficit)	524	-	-	-
Adjustments for:				
Non-Cash Items Included in Surplus	(4,227)	(1,293)	(1,893)	(600)
Amortization of Tangible Capital Assets	763	819	819	-
Acquisitions of Tangible Capital Assets	(1,339)	(1,521)	(1,521)	-
Maturities of Debt	(11,588)	(10,146)	(10,146)	-
Early Redemptions of Debt	(1,094)	(1,000)	(1,000)	-
Canada Pension Plan Borrowing	-	1,201	666	(535)
Decrease / (Increase) in Cash and Cash Equivalents	(150)	3,000	2,000	(1,000)
Increase / (Decrease) in Short-Term Borrowing	1,300	250	-	(250)
Other Sources / (Uses) of Cash*	-	(3,156)	(3,156)	-
Long-Term Public Borrowing Requirement	15,811	11,846	14,231	2,385
of which: Completed			9,687	-
Remaining			4,544	-

\* Includes net repayment from, or loans to agencies and the transfer of all deposits with the Province of Ontario Savings Office (POSO) to Desjardins Credit Union on April 1, 2003.

- ◆ The \$600 million change in Non-Cash Items Included in Surplus assumes no federal financial support for the impact of SARS. The associated increase in borrowing will not affect the plan to maintain the balanced budget.
- ◆ Planned Canada Pension Plan (CPP) borrowing is down \$535 million from the Budget Plan because the Province was able to borrow long-term funds from the public markets at lower interest rates than those available from the CPP.
- ◆ Other changes in the manner that the Province will borrow (smaller decrease in Cash and Cash Equivalents and no Increase in Short-Term Borrowing) are the result of the Province being able to take advantage of the strong public demand for Ontario bonds, including Ontario Savings Bonds, to lock in the lowest long-term interest rates in 40 years.
- ◆ Long-term public borrowing undertaken in the first quarter is estimated at \$9,687 million as follows:

	(\$ Millions)
Ontario Savings Bonds	3,770
Domestic Issues	2,429
Euro Medium Term Notes	1,573
Global Issues	1,915
	<b>9,687</b>

- ◆ The 2003 Ontario Savings Bond campaign raised a total of \$3.8 billion, the second highest sales in the history of Canadian provincial bond issues. During the past nine years, more than one million Ontario residents have invested a total of \$22 billion in Ontario Savings Bonds.



## Fiscal Summary (\$ Millions)

	Actual 2002-03	2003-04		
		Fall Outlook*	Current Outlook	In-Year Change
<b>Revenue</b>	68,609	69,532	69,532	—
<b>Expense</b>				
Programs	56,922	62,554	62,554	—
Capital	1,876	2,574	2,574	—
Interest on Debt	9,694	10,025	10,025	—
<b>Total Expense</b>	68,492	75,153	75,153	—
<b>SURPLUS / (DEFICIT)</b>	<b>117</b>	<b>(5,621)</b>	<b>(5,621)</b>	<b>—</b>

\* As presented in the 2003 Ontario Economic Outlook and Fiscal Review.

Note: Consistent with the treatment in the 2002-03 Public Accounts, the Ontario Electricity Financial Corporation (OEFC) is consolidated on a line-by-line basis.

## HIGHLIGHTS

### 2003-04 IN-YEAR PERFORMANCE

#### DEFICIT OUTLOOK AT \$5.6 BILLION

- ◆ The 2003-04 current outlook is unchanged from the fiscal outlook presented in the 2003 Ontario Economic Outlook and Fiscal Review. As of December 31, 2003, a deficit of \$5,621 million is projected for 2003-04.

#### REVENUE AT \$69.5 BILLION

- ◆ The revenue outlook, at \$69,532 million, is unchanged from the 2003 Ontario Economic Outlook and Fiscal Review.

#### EXPENSE AT \$75.2 BILLION

- ◆ Total expense, at \$75,153 million, is unchanged from the 2003 Ontario Economic Outlook and Fiscal Review. Increased ministry expense mainly due to a negotiated wage settlement with the Ontario Provincial Police Association, and additional funding for post-secondary education capital projects are fully offset from the operating and capital contingency funds.

FEB 3 2004

Ministry of Finance  
Treasury of Ontario



## FISCAL PERFORMANCE

### REVENUE

- ◆ The revenue outlook, at \$69,532 million, is unchanged from the 2003 Ontario Economic Outlook and Fiscal Review.

### OPERATING EXPENSE

- ◆ Operating expense, at \$72,579 million, is unchanged from the 2003 Ontario Economic Outlook and Fiscal Review. Changes this quarter include:

- ◆ Ministry of Children's Services: An additional \$10 million mainly to purchase additional equipment and supplies for child care and early learning programs, fully offset from the Contingency Fund.
- ◆ Ministry of Community Safety and Correctional Services: An additional \$48 million, fully offset from the Contingency Fund, including \$45 million for a negotiated wage settlement between the Province and the Ontario Provincial Police Association; \$2 million for the Major Case Management computer system; and \$1 million for First Nations policing.

### CAPITAL EXPENSE

- ◆ Capital expense, at \$2,574 million, is unchanged from the 2003 Economic Outlook and Fiscal Review. Changes this quarter include:

- ◆ Ministry of Training, Colleges and Universities: An additional \$19 million to fund projects at colleges and universities to create new spaces for students, fully offset from the Capital Contingency Fund.



## Statement of Financial Transactions (\$ Millions)

	1999-00	2000-01	2001-02	Actual 2002-03	Q3 2003-04
<b>Revenue</b>	64,804	66,044	66,249	68,609	69,532
<b>Expense</b>					
Programs	48,222	51,146	53,647	56,922	62,554
Capital	4,887	2,123	1,890	1,876	2,574
Interest on Debt	11,027	10,873	10,337	9,694	10,025
<b>Total Expense</b>	64,136	64,142	65,874	68,492	75,153
<b>SURPLUS / (DEFICIT)</b>	<b>668</b>	<b>1,902</b>	<b>375</b>	<b>117</b>	<b>(5,621)</b>
<b>Net Debt</b>	<b>134,398</b>	<b>132,496</b>	<b>132,121</b>	<b>132,647</b>	<b>138,970</b>
<b>Accumulated Deficit</b>	<b>134,398</b>	<b>132,496</b>	<b>132,121</b>	<b>118,705</b>	<b>124,326</b>

Note: Consistent with the treatment in the 2002-03 Public Accounts, the Ontario Electricity Financial Corporation (OEFC) is consolidated on a line-by-line basis starting in 1999-00. Expense and revenue totals for prior years have been restated to reflect the new accounting treatment. Net debt represents the difference between liabilities and financial assets. Accumulated deficit represents net debt adjusted for tangible capital assets.

## Selected Economic and Fiscal Statistics

	1999-00	2000-01	2001-02	Actual 2002-03	Q3 2003-04
Gross Domestic Product (GDP) at Market Prices (\$ Millions)	409,020	440,708	452,923	478,112	501,061
Ontario Population (000s) - July 1	11,506	11,685	11,898	12,097	12,238
Ontario Revenue as a per cent of GDP	15.8	15.0	14.6	14.3	13.9
Ontario Revenue Growth (%)	16.2	1.9	0.3	3.6	1.3
Ontario Total Expense as a per cent of GDP	15.7	14.6	14.5	14.3	15.0
Ontario Total Expense Growth (%)	11.0	0.0	2.7	4.0	9.7
Ontario Total Program Expense as a per cent of GDP	11.8	11.6	11.8	11.9	12.5
Ontario Total Program Expense Growth (%)	3.6	6.1	4.9	6.1	9.9
Ontario Interest on Debt as a per cent of Revenue	17.0	16.5	15.6	14.1	14.4
Ontario Interest on Debt as a per cent of Total Expense	17.2	17.0	15.7	14.2	13.3
Ontario Interest on Debt as a per cent of GDP	2.7	2.5	2.3	2.0	2.0
Ontario Surplus / (Deficit) as a per cent of GDP	0.2	0.4	0.1	0.0	(1.1)
Net Debt per capita (\$)	11,681	11,339	11,104	10,965	11,356
Net Debt as a per cent of GDP	32.9	30.1	29.2	27.7	27.7

Sources: Ontario Ministry of Finance and Statistics Canada.

## ONTARIO REAL GROSS DOMESTIC PRODUCT (GDP) DOWN IN THIRD QUARTER (JULY-SEPTEMBER)

- ◆ Ontario real GDP fell by 0.6 per cent (2.5 per cent annualized) in the third quarter of 2003, the second decline in as many quarters.

## ONTARIO CREATES 160,500 JOBS IN 2003

- ◆ In 2003, Ontario employment grew by 160,500 net new jobs, up 2.6 per cent from 2002 and accounting for 48 per cent of all job creation in Canada.
- ◆ Ontario's unemployment rate was 7.0 per cent in 2003, down slightly from 7.1 per cent in 2002.
- ◆ In the fourth quarter (October-December) 36,400 jobs were added from the third quarter, while the unemployment rate fell to 6.8 per cent.

## CONSUMER SPENDING LOWER

- ◆ Ontario retail sales fell 0.7 per cent in October, the third consecutive monthly decline. Over the first ten months of 2003, retail sales were 3.4 per cent ahead of the same period in 2002.

## INFLATION HIGHER IN 2003

- ◆ Ontario consumer prices rose 2.7 per cent in 2003, up from 2.0 per cent in 2002.

## HOUSING MARKET ROBUST IN 2003

- ◆ In 2003, Ontario housing starts hit their highest level in 14 years, up 1.9 per cent from 2002.
- ◆ The value of Ontario building permits issued in November fell 8.3 per cent from the level in October, but permits issued were up 3.0 per cent for the first eleven months of 2003.

## TRADE SECTOR WEAKER

- ◆ Ontario merchandise exports fell 3.3 per cent in November (Ontario Finance estimate), after declining 2.3 per cent in October. Ontario merchandise imports rose 2.1 per cent in November after falling 0.5 per cent in October.
- ◆ Ontario manufacturing shipments fell 1.6 per cent in November to \$22.3 billion, following October's decline of 0.9 per cent. Over the first 11 months of 2003, Ontario shipments were 2.1 per cent below the same period in 2002.

## KEY ECONOMIC INDICATORS (% Change from previous period, unless indicated otherwise)

		Annual	Annual	Quarterly				
		2002	2003	02:4	03:1	03:2	03:3	03:4
<b>Output (Seasonally Adjusted at Annual Rates)</b>								
Real GDP	Ontario	3.6	N/A	0.4	0.6	(0.2)	(0.6)	N/A
Nominal GDP	Ontario	5.6	N/A	1.5	1.6	(0.3)	0.7	N/A

		Annual	Annual	Monthly 2003				
		2002	2003	Aug	Sep	Oct	Nov	Dec
<b>Other Indicators (Seasonally Adjusted)</b>								
<b>Labour Markets</b>								
Labour Force (Change in 000s)	Ontario	167.1	162.6	(12.7)	49.8	(14.5)	(20.9)	30.4
Employment (Change in 000s)	Ontario	105.3	160.5	(5.9)	38.5	5.3	(6.6)	35.4
Unemployment Rate (%)	Ontario	7.1	7.0	7.1	7.3	7.0	6.8	6.7
<b>Household Sector</b>								
Retail Sales	Ontario	5.6	N/A	(0.1)	(0.2)	(0.7)	N/A	N/A
Housing Starts (000s)	Ontario	83.6	85.2	85.9	85.7	99.5	78.4	81.8
New Home Sales*	Toronto	29.3	N/A	(7.5)	(7.5)	0.7	16.7	N/A
MLS Home Resales*	Ontario	9.3	N/A	10.1	10.5	8.5	4.6	N/A
<b>Manufacturing Shipments</b>								
Transportation Equipment	Ontario	3.4	N/A	(8.9)	9.1	(0.9)	(1.6)	N/A
<b>Consumer Price Index*</b>								
	Ontario	2.0	2.7	1.7	2.2	1.7	1.7	3.0

Sources: Statistics Canada, Ontario Ministry of Finance, Canada Mortgage and Housing Corporation, Greater Toronto Home Builders' Association, Canadian Real Estate Association and Ward's Automotive.

\* % change from a year earlier

N/A = Data not available



**ONTARIO FINANCES**  
**FINANCIAL TABLES**



# REVENUE

(\$ Millions)	Actual 2002-03	2003-04		
		Fall Outlook*	Current Outlook	In-Year Change
<b>TAXATION REVENUE</b>				
Personal Income Tax	18,195	18,600	18,600	—
Retail Sales Tax	14,183	14,550	14,550	—
Corporations Tax	7,459	7,215	7,215	—
Employer Health Tax	3,589	3,705	3,705	—
Gasoline Tax	2,306	2,310	2,310	—
Fuel Tax	682	695	695	—
Tobacco Tax	1,183	1,310	1,310	—
Land Transfer Tax	814	835	835	—
Electricity Payments-In-Lieu of Taxes	711	532	532	—
Other Taxes	429	195	195	—
	<b>49,551</b>	<b>49,947</b>	<b>49,947</b>	<b>—</b>
<b>GOVERNMENT OF CANADA</b>				
Canada Health and Social Transfer (CHST)	7,346	7,093	7,093	—
CHST Supplements	191	577	577	—
Health Reform Fund	—	387	387	—
Diagnostic/Medical Equipment	—	193	193	—
Social Housing	525	643	643	—
Infrastructure	62	285	285	—
Other Government of Canada	770	1,086	1,086	—
	<b>8,894</b>	<b>10,264</b>	<b>10,264</b>	<b>—</b>
<b>INCOME FROM INVESTMENT IN GOVERNMENT BUSINESS ENTERPRISES</b>				
Ontario Lottery and Gaming Corporation	2,288	2,065	2,065	—
Liquor Control Board of Ontario	939	1,048	1,048	—
Ontario Power Generation Inc. and Hydro One Inc.	717	318	318	—
Other Government Enterprises	(2)	3	3	—
	<b>3,942</b>	<b>3,434</b>	<b>3,434</b>	<b>—</b>
<b>OTHER NON-TAX REVENUE</b>				
Reimbursements	1,111	1,208	1,208	—
Electricity Debt Retirement Charge	889	979	979	—
Vehicle and Driver Registration Fees	982	933	933	—
Power Sales	635	611	611	—
Sales and Rentals	560	571	571	—
Other Fees and Licences	606	531	531	—
Liquor Licence Revenue	530	477	477	—
Royalties	304	225	225	—
Miscellaneous Other Non-Tax Revenue	605	352	352	—
	<b>6,222</b>	<b>5,887</b>	<b>5,887</b>	<b>—</b>
<b>TOTAL REVENUE</b>	<b>68,609</b>	<b>69,532</b>	<b>69,532</b>	<b>—</b>

\* As presented in the 2003 Ontario Economic Outlook and Fiscal Review.

Note: Consistent with the treatment in the 2002-03 Public Accounts, the Ontario Electricity Financial Corporation (OEFEC) is consolidated on a line-by-line basis.

# OPERATING EXPENSE

(\$ Millions)		2003-04		
MINISTRY	Actual 2002-03	Fall Outlook*	Current Outlook	In-Year Change
Agriculture and Food	613	661	661	—
Attorney General	1,057	1,060	1,060	—
Board of Internal Economy	146	169	169	—
Children's Services	2,026	2,169	2,179	10
Citizenship and Immigration	53	63	63	—
Community and Social Services	5,795	5,985	5,985	—
Community Safety and Correctional Services	1,898	1,754	1,802	48
Consumer and Business Services	177	177	177	—
Culture	330	278	278	—
Economic Development and Trade	247	315	315	—
Education	8,998	9,787	9,787	—
Teachers' Pension Plan (TPP)	238	340	340	—
Energy	144	130	130	—
Environment	232	274	274	—
Executive Offices	20	20	20	—
Finance - Own Account	1,092	1,222	1,222	—
Interest on Debt	9,694	10,025	10,025	—
Community Reinvestment Fund	622	649	649	—
Electricity Consumer Price Protection Fund	665	292	292	—
Power Purchases	786	918	918	—
Health and Long-Term Care	25,758	27,885	27,885	—
SARS-related Health Costs	—	622	622	—
Intergovernmental Affairs	6	6	6	—
Labour	123	120	120	—
Management Board Secretariat	172	336	336	—
Retirement Benefits	102	335	335	—
Contingency Fund	—	625	567	(58)
Municipal Affairs	636	688	688	—
Native Affairs Secretariat	16	15	15	—
Natural Resources	454	530	530	—
Northern Development and Mines	73	74	74	—
Office of Francophone Affairs	3	4	4	—
Public Infrastructure Renewal	33	31	31	—
Tourism and Recreation	135	228	228	—
Training, Colleges and Universities	3,471	3,996	3,996	—
Transportation	801	796	796	—
<b>TOTAL OPERATING EXPENSE</b>	<b>66,616</b>	<b>72,579</b>	<b>72,579</b>	<b>—</b>

\* As presented in the 2003 Ontario Economic Outlook and Fiscal Review.

Note: Consistent with the treatment in the 2002-03 Public Accounts, the Ontario Electricity Financial Corporation (OEFC) is consolidated on a line-by-line basis. Preliminary allocations by ministry incorporating most recent information, pending finalization of the realignment of government ministries currently under way.

# CAPITAL EXPENSE

MINISTRY	Actual 2002-03	2003-04		
		Fall Outlook*	Current Outlook	In-Year Change
Agriculture and Food	68	1	1	—
Attorney General	43	31	31	—
Community and Social Services	23	13	13	—
Community Safety and Correctional Services	66	55	55	—
Consumer and Business Services	1	1	1	—
Culture	42	65	65	—
Economic Development and Trade	21	46	46	—
Education	10	16	16	—
Energy	46	47	47	—
Environment	13	15	15	—
Finance	8	11	11	—
Health and Long-Term Care	339	504	504	—
Management Board Secretariat	3	—	—	—
Municipal Affairs	20	188	188	—
Native Affairs Secretariat	2	3	3	—
Natural Resources	72	91	91	—
Northern Development and Mines	391	356	356	—
Public Infrastructure Renewal	4	169	169	—
Capital Contingency Fund	—	114	95	(19)
Tourism and Recreation	55	55	55	—
Training, Colleges and Universities	71	100	119	19
Transportation	578	693	693	—
<b>TOTAL CAPITAL EXPENSE**</b>	<b>1,876</b>	<b>2,574</b>	<b>2,574</b>	<b>—</b>

\* As presented in the 2003 Ontario Economic Outlook and Fiscal Review.

\*\* Capital expenses includes transfers for capital purposes, the amortization of major tangible capital assets owned by Provincial ministries, repairs, maintenance and other, including the capital contingency fund. Consistent with the recommendation of the Public Sector Accounting Board (PSAB), the cost of acquisition or construction of major tangible capital assets owned by the Province is amortized to expense over their useful lives.

Note: Preliminary allocations by ministry incorporating most recent information, pending finalization of the realignment of government ministries currently under way.

## Schedule of Net Investment in Capital Assets (\$ Millions)

	2003-04 Current Outlook			Total
	Land and Buildings	Transportation Infrastructure	Government Organizations' Capital Assets	
Acquisition/Construction of Major Tangible Capital Assets	133	1,042	346	1,521
Amortization of Provincially Owned Major Tangible Capital Assets	(110)	(546)	(163)	(819)
<b>NET INVESTMENT IN CAPITAL ASSETS*</b>	<b>23</b>	<b>496</b>	<b>183</b>	<b>702</b>

\* Starting in 2002-03, major tangible capital assets owned by Provincial ministries (land, buildings and transportation infrastructure) are accounted for on a full accrual accounting basis. Other tangible capital assets owned by Provincial ministries will continue to be accounted for as expense in the year of acquisition or construction.

# ONTARIO'S 2003-04 FINANCING PROGRAM

## Consolidated Province and Ontario Electricity Financial Corporation (\$ Millions)

	Actual 2002-03	2003-04		
		Fall Outlook*	Current Outlook	In-Year Change
Deficit / (Surplus)	(117)	5,621	5,621	—
Adjustments for:				
Non-Cash Items Included in Deficit / (Surplus)	(4,003)	855	855	—
Amortization of Tangible Capital Assets	(715)	(819)	(819)	—
Acquisitions of Tangible Capital Assets	1,323	1,521	1,521	—
Maturities of Debt				
Province	12,196	9,800	9,800	—
Ontario Electricity Financial Corporation	3,952	3,495	3,495	—
Total	16,148	13,295	13,295	—
Early Redemptions of Debt	1,122	1,100	1,100	—
Canada Pension Plan Borrowing	—	(158)	(158)	—
Increase / (Decrease) in Cash and Cash Equivalents	2,838	(2,000)	(2,000)	—
Decrease / (Increase) in Short-Term Borrowing	(1,727)	(300)	(300)	—
Other Uses / (Sources) of Cash**	2,438	3,590	3,590	—
Long-Term Public Borrowing Requirement	17,307	22,705	22,705	—

\* As presented in the 2003 Ontario Economic Outlook and Fiscal Review.

\*\* Includes net repayment from, or loans to, agencies and the transfer of all deposits with the Province of Ontario Savings Office (POSO) to Desjardins Credit Union on April 1, 2003.

## Borrowing Program Status (\$ Millions)

	Completed	Remaining	Total
Province	14,235	3,957	18,192
Ontario Electricity Financial Corporation	4,024	489	4,513
<b>TOTAL</b>	<b>18,259</b>	<b>4,446</b>	<b>22,705</b>

Note: Consistent with the treatment in the 2002-03 Public Accounts, the borrowing program of OEFC was consolidated with that of the Province.

♦ Long-term public borrowing undertaken in the year to date as of December 31, 2003 was \$18,259 million as follows:

	(\$ Millions)
Ontario Savings Bonds	3,770
Domestic Issues	8,239
Euro Medium Term Notes	2,039
Global Issues	3,954
Other	257
	<b>18,259</b>







Fiscal Summary (\$ Millions)				
		2004-05		
	Interim 2003-04	Budget Plan	Current Outlook	In-Year Change
Revenue*	68,250	78,360	78,364	4
Expense				
Programs	62,518	66,695	66,695	-
Capital	2,202	2,575	2,575	-
Interest on Debt	9,752	10,329	10,329	-
Total Expense	74,472	79,599	79,599	-
Reserve	-	1,000	1,000	-
<b>SURPLUS / (DEFICIT)</b>	<b>(6,222)</b>	<b>(2,239)</b>	<b>(2,235)</b>	<b>4</b>

\* Includes one-time revenue gain of \$3,881 million related to the projected elimination of the liability for non-utility generator power purchase agreements in 2004-05.

## HIGHLIGHTS

### 2004-05 IN-YEAR PERFORMANCE

#### DEFICIT OUTLOOK AT \$2.2 BILLION

- The 2004-05 current deficit outlook has improved by \$4 million from the fiscal outlook presented in the Budget Plan. As at June 30, 2004, a deficit of \$2,235 million is projected for 2004-05.

#### REVENUE AT \$78.4 BILLION

- The revenue outlook, at \$78,364 million, is up a net \$4 million from the Budget Plan mainly due to an increase in the Personal Income Tax revenue outlook as a result of preliminary information on tax assessments for 2003 and prior years, partially offset by decreases in Corporations Tax revenue and other taxation revenues.

#### EXPENSE AT \$79.6 BILLION

- Total expense, at \$79,599 million, is unchanged from the fiscal outlook presented in the Budget Plan.

#### RESERVE AT \$1.0 BILLION

- The Budget Plan includes a \$1 billion reserve to protect against unexpected and adverse changes in the economic and fiscal outlook.

## FISCAL PERFORMANCE

### REVENUE

- ♦ The revenue outlook, at \$78,364 million, is up a net \$4 million from the Budget Plan. Major changes this quarter include:
  - ♦ The Personal Income Tax (PIT) revenue outlook is up a net \$99 million. This is primarily due to preliminary information on tax assessments for 2003 and prior years that has increased the outlook for 2004-05 PIT revenues by \$100 million. This increase is partially offset by a reduction in the 2004-05 PIT revenue outlook of \$1 million due to the proposed longer phase-out of the Ontario Research Employee Stock Option Credit for those individuals who were granted an option as of May 18, 2004.
  - ♦ The Corporations Tax revenue outlook is down \$70 million due to lower-than-anticipated payments associated with 2003 tax return filings.
  - ♦ The Employer Health Tax (EHT) revenue outlook is down \$12 million as a result of the proposed longer phase-out of the EHT exemption for stock option benefits paid to employees of research intensive companies for those employers who granted an option as of May 18, 2004.
  - ♦ The revenue outlook for the proposed Ontario Health Premium (OHP) is down \$13 million due to a lowering of the phase-in rate that would apply at the \$36,000 taxable income level from 25 per cent to 6 per cent.

### OPERATING EXPENSE

- ♦ Program expense, at \$66,695 million, is unchanged from the Budget Plan.
- ♦ The Interest on Debt expense forecast, at \$10,329 million, is unchanged from the Budget Plan.

### CAPITAL EXPENSE

- ♦ Capital expense, at \$2,575 million, is unchanged from the Budget Plan.

### RESERVE

- ♦ The reserve, at \$1 billion, is unchanged from the Budget Plan.

Change Fund Investments (\$ Millions)		
		2004-05
<b>BUDGET PLAN</b>		
<b>Investments for Health Care</b>		
Community Health Services – home care and community mental health	140	
Family Health Teams	111	
e-Health Initiatives	78	
Other Projects (including wait lists and workplace safety)	280	
		609
<b>Other Investments</b>		
ServiceOntario Enhancement	27	
College Stabilization	25	
Nutrient Management Financial Assistance Program	5	
All Other	6	
		63
<b>PROJECT APPROVALS SINCE BUDGET</b>		
<b>First Quarter Approvals</b>		
No new project approvals this quarter	-	
		-
<b>Investments to be Confirmed</b>		328
<b>TOTAL CHANGE FUND INVESTMENTS</b>		<b>1,000</b>

- The 2004 Budget included a one-time \$1.0 billion Change Fund to support the government's plans to change and improve Ontario's public services. The Fund will help to pay for projects that rationalize or better integrate existing programs and services, put in place new systems and processes to reduce long-term costs, or mitigate the demand for services over the long run.
- The remaining \$328 million in the Change Fund will be allocated this fiscal year, following a review of business case plans to ensure projects demonstrate benefits such as good value for money; improved quality or delivery of public services; improved cost efficiency or result in cost savings in the long run. As Change Fund projects are reviewed and approved during the fiscal year, these will be detailed and reported in the quarterly Ontario Finances.
- Any unallocated amounts remaining in the Change Fund at year-end will be applied to reduce the deficit.

Statement of Financial Transactions (\$ Millions)					
	2000-01	2001-02	Actual 2002-03	Interim 2003-04	Current Outlook 2004-05
<b>Revenue*</b>	66,044	66,249	68,609	68,250	78,364
<b>Expense</b>					
Programs	51,146	53,647	56,922	62,518	66,695
Capital**	2,123	1,890	1,876	2,202	2,575
Interest on Debt	10,873	10,337	9,694	9,752	10,329
<b>Total Expense</b>	<b>64,142</b>	<b>65,874</b>	<b>68,492</b>	<b>74,472</b>	<b>79,599</b>
<b>Reserve</b>	-	-	-	-	1,000
<b>SURPLUS / (DEFICIT)</b>	<b>1,902</b>	<b>375</b>	<b>117</b>	<b>(6,222)</b>	<b>(2,235)</b>
<b>Net Debt†</b>	<b>132,496</b>	<b>132,121</b>	<b>132,647</b>	<b>139,405</b>	<b>142,408</b>
<b>Accumulated Deficit†</b>	<b>132,496</b>	<b>132,121</b>	<b>118,705</b>	<b>124,927</b>	<b>127,162</b>

\* Includes one-time revenue gain of \$3,881 million related to the projected elimination of the liability for non-utility generator power purchase agreements in 2004-05.

\*\* Starting in 2002-03, major tangible capital assets owned by Provincial ministries (land, buildings and transportation infrastructure) are accounted for on a full accrual accounting basis. Other tangible capital assets owned by Provincial ministries will continue to be accounted for as expense in the year of acquisition or construction. All capital assets owned by consolidated government organizations are accounted for on a full accrual basis.

† Net debt represents the difference between liabilities and financial assets. Accumulated deficit represents net debt adjusted for tangible capital assets.

Selected Economic and Fiscal Statistics					
	2000-01	2001-02	Actual 2002-03	Interim 2003-04	Current Outlook 2004-05
Gross Domestic Product (GDP) at Market Prices* (\$ Millions)	441,204	453,384	479,122	494,229	514,492
Ontario Population (000s) - July 1	11,685	11,898	12,097	12,238	12,397
Ontario Revenue as a per cent of GDP	15.0	14.6	14.3	13.8	15.2
Ontario Revenue Growth (%)	1.9	0.3	3.6	(0.5)	14.8
Ontario Total Expense as a per cent of GDP	14.5	14.5	14.3	15.1	15.5
Ontario Total Expense Growth (%)	0.0	2.7	4.0	8.7	6.9
Ontario Total Program Expense as a per cent of GDP	11.6	11.8	11.9	12.6	13.0
Ontario Total Program Expense Growth (%)	6.1	4.9	6.1	9.8	6.7
Ontario Interest on Debt as a per cent of Revenue	16.5	15.6	14.1	14.3	13.2
Ontario Interest on Debt as a per cent of Total Expense	17.0	15.7	14.2	13.1	13.0
Ontario Interest on Debt as a per cent of GDP	2.5	2.3	2.0	2.0	2.0
Ontario Surplus / (Deficit) as a per cent of GDP	0.4	0.1	0.0	(1.3)	(0.4)
Net Debt per capita (\$)	11,339	11,104	10,965	11,391	11,487
Net Debt as a per cent of GDP	30.0	29.1	27.7	28.2	27.7
Accumulated Deficit per capita (\$)	11,339	11,104	9,813	10,208	10,257
Accumulated Deficit as a per cent of GDP	30.0	29.1	24.8	25.3	24.7

\* Reflects Statistics Canada's release of the preliminary Provincial Economic Accounts and revisions to the National Income and Expenditure Accounts.

Sources: Ontario Ministry of Finance and Statistics Canada.

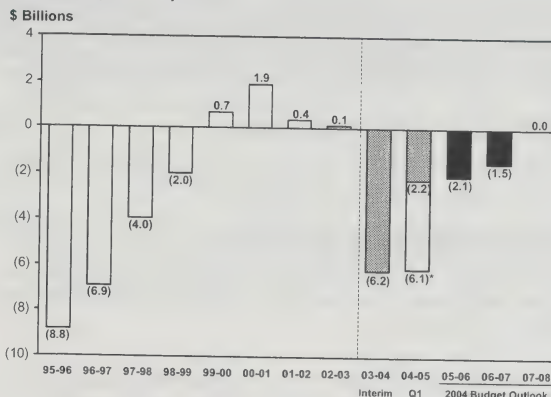


In 2000-01, the Province recorded a budgetary surplus of \$1.9 billion. However, between 2000-01 and 2003-04, Provincial program spending increased by 22 per cent, far exceeding tax revenue growth, which declined by 0.6 per cent during this period. This imbalance between revenue and spending created a structural deficit.

Based on the current fiscal outlook for 2004-05, total revenue will increase by 14.8 per cent this year while total expense will grow by 6.9 per cent resulting in a substantial decline in the deficit projected for 2004-05.

Consistent with the government's medium-term fiscal plan outlined in the 2004 Budget, the deficit will continue to be gradually reduced until Ontario's books are balanced in 2007-08.

## Surplus/(Deficit)

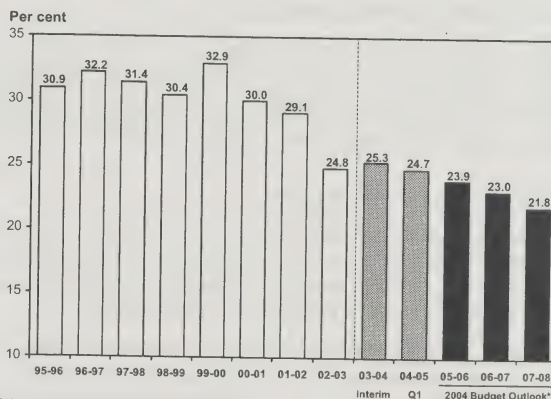


\* Excludes one-time revenue gain of \$3.9 billion related to the projected elimination of the liability for non-utility generator power purchase agreements.

Debt-to-GDP declined in Ontario over the period from 1999-2000 to 2002-03. Starting in fiscal year 2002-03, the costs of major tangible capital assets are capitalized and amortized over their estimated useful lives. The initial impact of this change in accounting policy is primarily responsible for the sharp decline in the debt-to-GDP ratio from 29.1 per cent in 2001-02 to 24.8 per cent in 2002-03.

The medium-term fiscal plan reported in the 2004 Budget includes steadily declining deficit targets which will reduce the interim deficit of \$6.2 billion in 2003-04 to \$2.2 billion in 2004-05, \$2.1 billion in 2005-06, \$1.5 billion in 2006-07 and a balanced budget by 2007-08. Consistent with these fiscal targets, Ontario's debt as a proportion of GDP is projected to fall from 25.3 per cent in 2003-04 to 21.8 per cent in 2007-08.

## Debt as a Per Cent of GDP\*



\* Debt refers to the accumulated deficit of the Province.

\*\* Reflects 2004 Budget fiscal outlook and Statistics Canada's revisions to the National Income and Expenditure Accounts



## ONTARIO REAL GROSS DOMESTIC PRODUCT (GDP) UP IN FIRST QUARTER (JANUARY-MARCH)

- ♦ Ontario real GDP grew by 0.4 per cent (1.5 per cent annualized) in the first quarter of 2004, down from a 1.0 per cent pace (4.0 per cent annualized) in the fourth quarter of 2003.

## ONTARIO CREATES 160,500 JOBS IN 2003

- ♦ In 2003, Ontario employment grew by 160,500 net new jobs, up 2.6 per cent from 2002 and accounting for 48 per cent of all job creation in Canada.
- ♦ Ontario's unemployment rate was 7.0 per cent in 2003, down slightly from 7.1 per cent in 2002.
- ♦ In June 2004, Ontario employment increased by 17,700 net new jobs following an increase of 30,800 jobs in May. The unemployment rate held steady at 7.0 per cent. Over the past three months, Ontario employment is up by nearly 63,000 jobs.

## CONSUMER SPENDING HIGHER OVER FIRST FOUR MONTHS OF 2004

- ♦ Ontario retail sales fell 1.3 per cent in April, the first monthly decline in 2004. However, over the first four months of 2004, Ontario retail sales are 2.8 per cent ahead of the same period in 2003.

## INFLATION REMAINS MODERATE

- ♦ Ontario consumer prices rose 2.4 per cent year-to-year in June, down from 2.8 per cent in May. Excluding energy prices, Ontario's inflation rate was 1.7 per cent in June, up slightly from 1.6 per cent in May.

## HOUSING MARKET CONTINUES TO BE ROBUST

- ♦ In 2003, Ontario housing starts hit their highest level in 14 years, up 1.9 per cent from 2002. Ontario housing starts advanced 0.6 per cent in June, to a level of 90,500 units (seasonally adjusted annual rate).
- ♦ Ontario home resales rose 10.5 per cent in May from a year ago to reach a level of 21,385 units, making it the busiest month on record.

## TRADE SECTOR STRENGTHENS IN 2004

- ♦ The value of Ontario merchandise exports rose 0.6 per cent in May, the fourth consecutive monthly gain (Ontario Ministry of Finance estimate). Ontario's imports surged 7.0 per cent in May, following a 1.2 per cent increase in April. Solid growth in imports of machinery and equipment (+11.3 per cent) and autos (+7.1 per cent) were responsible for almost three-quarters of the advance.
- ♦ The value of Ontario manufacturing shipments rose 1.8 per cent to \$25.7 billion in May, following a gain of 0.7 per cent in April. This is the fourth consecutive increase.

KEY ECONOMIC INDICATORS (Per Cent Change from previous period, unless indicated otherwise)								
		Annual		Quarterly				
		2002	2003	03:1	03:2	03:3	03:4	04:1
<b>Output (Seasonally Adjusted at Annual Rates)</b>								
Real GDP	Ontario	3.7	1.6	2.9	(1.0)	(3.0)	4.0	1.5
Nominal GDP	Ontario	5.7	3.2	3.4	(3.4)	(0.6)	4.2	5.1
		Annual	Annual	Monthly 2004				
		2002	2003	Feb	Mar	Apr	May	Jun
<b>Other Indicators (Seasonally Adjusted)</b>								
<b>Labour Markets</b>								
Labour Force (Change in 000s)	Ontario	167	163	6	8	(3)	41	19
Employment (Change in 000s)	Ontario	105	161	5	(25)	14	31	18
Unemployment Rate (%)	Ontario	7.1	7.0	6.6	7.1	6.8	7.0	7.0
<b>Household Sector</b>								
Retail Sales	Ontario	5.9	3.4	2.4	0.3	(1.3)	N/A	N/A
Housing Starts (000s)**	Ontario	83.6	85.2	76.7	92.7	88.6	90.0	90.5
New Home Sales*	Toronto	29.3	(19.9)	7.7	31.2	40.2	1.6	N/A
MLS Home Resales*	Ontario	9.7	3.6	2.7	30.5	24.4	10.5	N/A
<b>Manufacturing Shipments</b>								
Transportation Equipment	Ontario	6.3	(3.3)	(0.8)	5.7	2.2	1.1	N/A
<b>Consumer Price Index*</b>	Ontario	2.0	2.7	0.8	1.1	2.3	2.8	2.4
Sources: Statistics Canada, Ontario Ministry of Finance, Canada Mortgage and Housing Corporation, Greater Toronto Home Builders' Association, Canadian Real Estate Association and Ward's Automotive.								

\* per cent change from a year earlier.

\*\* Monthly housing starts are expressed at a seasonally adjusted annual rate.

N/A = Data not available.



# ONTARIO FINANCES

## FINANCIAL TABLES

# REVENUE

(\$ Millions)	2004-05			
	Interim 2003-04	Budget Plan	Current Outlook	In-Year Change
<b>TAXATION REVENUE</b>				
Personal Income Tax	17,778	18,821	18,920	99
Retail Sales Tax	14,260	15,036	15,036	-
Corporations Tax	7,222	8,320	8,250	(70)
Employer Health Tax	3,737	3,874	3,862	(12)
Gasoline Tax	2,282	2,328	2,328	-
Fuel Tax	684	716	716	-
Ontario Health Premium	-	1,635	1,622	(13)
Tobacco Tax	1,299	1,452	1,452	-
Land Transfer Tax	911	927	927	-
Electricity Payments-In-Lieu of Taxes	597	630	630	-
Other Taxes	391	259	259	-
	<b>49,161</b>	<b>53,998</b>	<b>54,002</b>	<b>4</b>
<b>GOVERNMENT OF CANADA</b>				
Canada Health and Social Transfer (CHST)	7,014	-	-	-
Canada Health Transfer (CHT)	-	4,677	4,677	-
Canada Social Transfer (CST)	-	2,924	2,924	-
CHST Supplements	577	775	775	-
Social Housing	522	521	521	-
Health Reform Fund	387	582	582	-
Diagnostic/Medical Equipment	193	193	193	-
Infrastructure	155	267	267	-
Other Government of Canada	1,114	859	859	-
	<b>9,962</b>	<b>10,798</b>	<b>10,798</b>	<b>-</b>
<b>INCOME FROM INVESTMENT IN GOVERNMENT BUSINESS ENTERPRISES</b>				
Ontario Lottery and Gaming Corporation	2,100	2,117	2,117	-
Liquor Control Board of Ontario	1,043	1,117	1,117	-
Ontario Power Generation Inc. and Hydro One Inc.	(15)	335	335	-
Other Government Enterprises	(59)	(5)	(5)	-
	<b>3,069</b>	<b>3,564</b>	<b>3,564</b>	<b>-</b>
<b>OTHER NON-TAX REVENUE</b>				
Net Reduction of Power Purchase Contract Liability*	104	4,024	4,024	-
Reimbursements	1,175	1,252	1,252	-
Electricity Debt Retirement Charge	1,000	1,009	1,009	-
Vehicle and Driver Registration Fees	986	987	987	-
Power Sales	510	675	675	-
Other Fees and Licences	505	536	536	-
Liquor Licence Revenue	486	499	499	-
Sales and Rentals	520	403	403	-
Royalties	243	239	239	-
Miscellaneous Other Non-Tax Revenue	529	376	376	-
	<b>6,058</b>	<b>10,000</b>	<b>10,000</b>	<b>-</b>
<b>TOTAL REVENUE</b>	<b>68,250</b>	<b>78,360</b>	<b>78,364</b>	<b>4</b>

\* Includes one-time revenue gain of \$3,881 million related to the projected elimination of the liability for non-utility generator power purchase agreements in 2004-05.



# OPERATING EXPENSE

MINISTRY	Interim 2003-04	2004-05		
		Budget Plan	Current Outlook	In-Year Change
Agriculture and Food	677	549	549	-
Attorney General*	1,156	1,162	1,162	-
Board of Internal Economy	204	149	149	-
Children and Youth Services*	2,643	2,832	2,832	-
Citizenship and Immigration*	56	62	62	-
Community and Social Services*	6,016	6,317	6,317	-
Community Safety and Correctional Services*	1,670	1,745	1,745	-
Consumer and Business Services	184	213	213	-
Culture	294	277	277	-
Democratic Renewal Secretariat	-	4	4	-
Economic Development and Trade*	260	414	414	-
Education	9,754	10,623	10,623	-
Teachers' Pension Plan (TPP)	235	359	359	-
Energy	118	137	137	-
Environment*	260	304	304	-
Executive Offices	22	19	19	-
Finance - Own Account*	1,316	1,184	1,184	-
Interest on Debt	9,752	10,329	10,329	-
Change Fund	-	328	328	-
Community Reinvestment Fund	652	656	656	-
Electricity Consumer Price Protection Fund	253	-	-	-
Power Purchases	799	946	946	-
Health and Long-Term Care*	28,100	29,652	29,652	-
Change Fund	-	609	609	-
SARS-related and Major One-Time Health Costs	842	-	-	-
Intergovernmental Affairs*	6	9	9	-
Labour	120	133	133	-
Management Board Secretariat*	268	355	355	-
Retirement Benefits	340	433	433	-
Contingency Fund	-	965	965	-
Municipal Affairs and Housing*	678	692	692	-
Native Affairs Secretariat	16	14	14	-
Natural Resources	518	505	505	-
Northern Development and Mines	79	73	73	-
Office of Francophone Affairs	4	4	4	-
Public Infrastructure Renewal*	23	31	31	-
Tourism and Recreation*	213	184	184	-
Training, Colleges and Universities	3,934	4,194	4,194	-
Transportation	808	862	862	-
Year-End Savings	-	(300)	(300)	-
<b>TOTAL OPERATING EXPENSE</b>	<b>72,270</b>	<b>77,024</b>	<b>77,024</b>	<b>-</b>

\* Ministries restated to reflect new government structure.

# CAPITAL EXPENSE

(\$ Millions)	2004-05			
	Interim 2003-04	Budget Plan	Current Outlook	In-Year Change
MINISTRY				
Agriculture and Food	1	7	7	-
Attorney General	25	55	55	-
Children and Youth Services*	-	9	9	-
Community and Social Services*	10	21	21	-
Community Safety and Correctional Services	47	42	42	-
Consumer and Business Services	1	2	2	-
Culture	28	70	70	-
Economic Development and Trade*	32	39	39	-
Education	16	27	27	-
Energy	54	52	52	-
Environment	4	13	13	-
Finance*	5	4	4	-
Health and Long-Term Care	355	346	346	-
Management Board Secretariat**	(1)	(13)	(13)	-
Municipal Affairs and Housing*	208	234	234	-
Native Affairs Secretariat	-	2	2	-
Natural Resources	69	85	85	-
Northern Development and Mines	344	447	447	-
Public Infrastructure Renewal*	17	168	168	-
Capital Contingency Fund	-	150	150	-
Tourism and Recreation	54	65	65	-
Training, Colleges and Universities	121	171	171	-
Transportation	812	679	679	-
Year-End Savings	-	(100)	(100)	-
<b>TOTAL CAPITAL EXPENSE</b>	<b>2,202</b>	<b>2,575</b>	<b>2,575</b>	<b>-</b>

\* Ministries restated to reflect new government structure.

\*\* Ministries' contributions for investments in Provincially owned land and buildings are recorded as an expense by the contributing ministries. Starting in 2002-03 any resulting adjustment to expense from the capitalization and amortization of most of these Provincially owned land and buildings is recorded in Management Board Secretariat.

## Schedule of Net Investment in Capital Assets – 2004-05 Current Outlook (\$ Millions)

	Land and Buildings	Transportation Infrastructure	Government Organizations' Capital Assets	Total
Acquisition/Construction of Major Tangible Capital Assets	135	998	432	1,565
Amortization of Provincially Owned Major Tangible Capital Assets	(78)	(524)	(195)	(797)
<b>NET INVESTMENT IN CAPITAL ASSETS*</b>	<b>57</b>	<b>474</b>	<b>237</b>	<b>768</b>

\* Starting in 2002-03, major tangible capital assets owned by Provincial ministries (land, buildings and transportation infrastructure) are accounted for on a full accrual accounting basis. Other tangible capital assets owned by Provincial ministries will continue to be accounted for as expense in the year of acquisition or construction. All capital assets owned by consolidated government organizations are accounted for on a full accrual basis.

# ONTARIO'S 2004-05 FINANCING PROGRAM

Consolidated Province and Ontario Electricity Financial Corporation (\$ Millions)				
	Interim 2003-04	2004-05		
		Budget Plan	Current Outlook	In-Year Change
Deficit	6,222	2,239	2,235	(4)
Adjustments for:				
Non-Cash Items Included in Deficit	(1,345)	3,219	3,241	22
Amortization of Major Tangible Capital Assets	(766)	(797)	(797)	-
Acquisitions of Major Tangible Capital Assets	1,302	1,565	1,565	-
Debt Maturities				
Province	9,800	11,965	11,965	-
Ontario Electricity Financial Corporation	3,507	4,122	4,122	-
Total	13,307	16,087	16,087	-
Debt Redemptions	1,551	1,041	1,041	-
Canada Pension Plan Borrowing	(100)	(1,133)	(1,033)	100
Increase / (Decrease) in Cash and Cash Equivalents	886	-	-	-
Decrease / (Increase) in Short-Term Borrowing	1,348	150	74	(76)
Other Uses / (Sources) of Cash	2,954	1,380	1,338	(42)
Long-Term Public Borrowing Requirement	25,359	23,751	23,751	-

Borrowing Program Status (\$ Millions)			
	Completed	Remaining	Total
Province	4,697	14,893	19,590
Ontario Electricity Financial Corporation	1,066	3,095	4,161
<b>TOTAL</b>	<b>5,763</b>	<b>17,988</b>	<b>23,751</b>

- Changes to the Current Outlook are attributable to a \$100 million reduction in CPP borrowing as rates were not cost-effective; a \$42 million repayment of a non-utility generator loan; a \$76 million increase in short-term borrowing; and a revised outlook of Non-Cash Items Included in Deficit.
- Long-term public borrowing undertaken in the year to date as of June 30, 2004, was \$5.8 billion as follows:

	(\$ Millions)
Ontario Savings Bonds	1,145
Domestic Issues	3,368
Euro Medium Term Notes	500
Other	750
	<b>5,763</b>





# ONTARIO FINANCES

2004-05 THIRD QUARTER

QUARTERLY UPDATE - DECEMBER 31, 2004

Government  
Publications

Ontario

Ministry of Finance

APR 08 2005

## Fiscal Summary (\$ Millions)

	Actual 2003-04	Budget Plan	2004-05	
			Current* Outlook	In-Year Change
<b>Revenue**</b>	68,400	78,360	79,041	681
<b>Expense</b>				
Programs	62,104	66,695	67,515	820
Capital	2,175	2,575	2,580	5
Interest on Debt	9,604	10,329	10,114	(215)
<b>Total Expense</b>	73,883	79,599	80,209	610
<b>Reserve</b>	-	1,000	1,000	-
<b>SURPLUS / (DEFICIT)</b>	<b>(5,483)</b>	<b>(2,239)</b>	<b>(2,168)</b>	<b>71</b>

\* Third-quarter fiscal forecast as at December 31, 2004.

\*\* Includes one-time revenue gain of \$3,881 million related to the projected elimination of the liability for non-utility generator power purchase agreements in 2004-05.

## 2004-05 FISCAL OUTLOOK

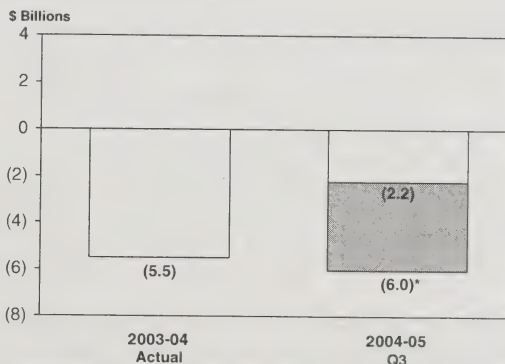
As at December 31, 2004, a deficit of \$2,168 million is projected for 2004-05, an in-year improvement of \$71 million from the deficit projected in the 2004 Ontario Budget, and a \$3.3 billion improvement from the 2003-04 deficit of \$5.5 billion.

The deficit outlook of \$2.2 billion includes a one-time revenue gain of \$3.9 billion related to the projected elimination of the above-market liability for power purchase agreements with non-utility generators, based on a reformed electricity market structure being in place this fiscal year, and sufficient and appropriate evidence that the liability has been eliminated.

Since the 2004 Budget, the *Electricity Restructuring Act, 2004* has been introduced

and passed by the Legislature. The Act provides the legislative framework for the government's new vision for the electricity sector. Effective January 1, 2005, the full costs of the existing power purchase agreements signed by the former Ontario Hydro are being recovered from electricity consumers. Decisions on the initial regulated rate for Ontario Power Generation regulated output and other implementation details are expected to be announced shortly. The Act, associated regulations and implementation details will be assessed to determine whether sufficient and appropriate evidence exists to support the elimination of the liability. The outlook for 2004-05, excluding this one-time gain, is a deficit of \$6.0 billion (including a reserve of \$1.0 billion).

### Ontario's Surplus/(Deficit)



\* Excludes one-time revenue gain of \$3.9 billion related to the projected elimination of the liability for non-utility generator power purchase agreements

For further information contact  
Communications and Corporate Affairs Branch (416) 325-0333  
Frost Building North, Queen's Park  
Toronto M7A 1Z1

Ce rapport est disponible en français  
Direction des communications et des  
affaires ministérielles, (416) 325-0333  
Édifice Frost Nord, Queen's Park, Toronto M7A 1Z1

This document is available on the Internet at: <http://www.gov.on.ca/FIN/english/engfinances.htm>

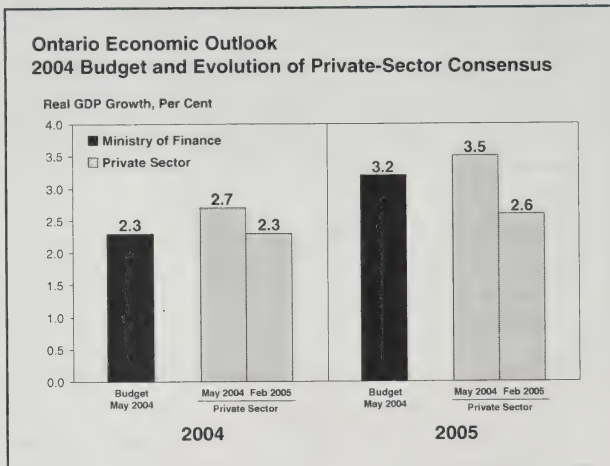


## ONTARIO ECONOMIC OUTLOOK

Ontario's economic performance over the last calendar year was broadly in line with the 2004 Budget assumptions. The current average private-sector estimate of real GDP growth in 2004 equals the Budget projection of 2.3 per cent.

The outlook for 2005, however, has deteriorated in large part as a result of the unexpected strength of the Canadian dollar. Recent private-sector forecasts for 2005 real growth average 2.6 per cent compared to a Budget assumption of 3.2 per cent. Slower growth in 2005 would not affect revenues in 2004-05 significantly but will need to be taken into account in developing the 2005 Budget.

The Ministry of Finance is currently analyzing a number of risks including the ongoing volatility of the Canadian dollar, fluctuations in oil prices, and wage settlements as it determines prudent growth forecasts for 2005 and beyond and the resulting effect on future revenues, and expenses.



## FISCAL PERFORMANCE

### REVENUE AT \$79.0 BILLION

- The revenue outlook, at \$79,041 million, is up a net \$681 million from the 2004 Budget and is unchanged from the 2004 Ontario Economic Outlook and Fiscal Review. The increase from Budget, as reported last quarter, is primarily due to the First Ministers' health agreement, which increased federal payments to Ontario by \$824 million.

### EXPENSE AT \$80.2 BILLION

- The total expense outlook, at \$80,209 million, is up a net \$610 million from the 2004 Budget and is unchanged from the 2004 Economic Outlook and Fiscal Review. The increase from Budget, as reported last quarter, is primarily due to increased health spending of \$824 million, equal to Ontario's entitlement from the First Ministers' health agreement, partially offset by interest on debt savings of \$215 million.

### OPERATING EXPENSE

- The program expense outlook, at \$67,515 million, is up a net \$820 million from the 2004 Budget and down a net \$5 million from the 2004 Economic Outlook and Fiscal Review. Changes this quarter include:
  - Ministry of Agriculture and Food: An additional \$20 million in assistance under the Companion Program Strategy during the transition to the Agricultural Policy Framework, fully offset from the Contingency Fund.
  - Ministry of the Attorney General: An additional \$23 million for the recent Judges' and Justices' of the Peace salary awards, fully offset from the Contingency Fund.
  - Ministry of Children and Youth Services: An additional \$3 million in investments to support the establishment of a dedicated youth justice system, and to support the ministry in its mandate to reform the child welfare system, both fully offset from the Change Fund.
  - Ministry of Consumer and Business Services: A reduction of \$6 million in the ministry's operating program, transferred to fund ServiceOntario capital requirements.
  - Ministry of Culture: An additional \$1 million in funding for the Royal Botanical Gardens, transferred from the ministry's capital program to operating.
  - Ministry of Education: An additional \$60 million for Teacher Development Accounts, fully offset from the Change Fund, to provide one-time funding to support teachers' professional development and school board collective bargaining; and an additional \$2 million for the Reporting Entity Project, an initiative to add hospitals, school boards and school authorities, and community colleges to the Province's financial plans and reports, in accordance with Public Sector Accounting Board (PSAB) recommendations, fully offset from the Ministry of Finance.
  - Ministry of Finance: An additional \$20 million for special payments to the City of Hamilton, fully offset from the Contingency Fund; and a reduction of \$7 million to reflect transfers to the Ministries of Health and Long-Term Care, Education, and Training, Colleges and Universities to implement the Reporting Entity Project, an initiative to add hospitals, school boards and school authorities, and community colleges to the Province's financial plans and reports, in accordance with PSAB recommendations.
  - Ministry of Health and Long-Term Care: An additional \$4 million for the Reporting Entity Project, an initiative to add hospitals, school boards and school authorities, and community colleges to the Province's financial plans and reports, in accordance with PSAB recommendations, fully offset from the Ministry of Finance.
  - Ministry of Intergovernmental Affairs: An additional \$5 million to support rebuilding and recovery efforts in areas affected by the tsunami in South Asia, fully offset from the Contingency Fund.

## OPERATING EXPENSE CONTINUED

- ♦ Management Board Secretariat: An additional \$2 million, fully offset from the Change Fund, for various investments including implementation of an Ontario Public Service (OPS) Workplace Safety and Insurance Board claims management strategy, human resources transformation projects, funding for the Project and Partnership Centre of Excellence and a horizontal review of OPS central agencies.
- ♦ Ministry of Municipal Affairs and Housing: An additional \$8 million for disaster relief assistance due to flooding in Peterborough in July 2004, fully offset from the Contingency Fund. This funding supported emergency costs incurred by individuals and small business, as well as response costs incurred by the municipality.
- ♦ Native Affairs Secretariat: An additional \$4 million for land claim settlements, including the Wahta Mohawk land claim and the final payment to Big Grassy First Nation, fully offset from the Contingency Fund.
- ♦ Ministry of Northern Development and Mines: An additional \$1 million in Change Fund investments for mining lands and geosciences systems upgrades, fully offset from the Change Fund.
- ♦ Ministry of Training, Colleges and Universities: An additional \$1 million for the Reporting Entity Project, an initiative to add hospitals, school boards and school authorities, and community colleges to the Province's financial plans and reports, in accordance with PSAB recommendations, fully offset from the Ministry of Finance.
- ♦ Ministry of Transportation: An additional \$2 million in Change Fund investments, including implementation of real time roadside data capture systems and improvements to the Oversize/Overweight electronic permit application process for vehicles, fully offset from the Change Fund.
- ♦ The Interest on Debt expense forecast, at \$10,114 million, is down \$215 million from the 2004 Budget and is unchanged from the 2004 Economic Outlook and Fiscal Review.

## CAPITAL EXPENSE

- ♦ Capital expense, at \$2,580 million, is up a net \$5 million from the 2004 Budget and the 2004 Ontario Economic Outlook and Fiscal Review. Changes this quarter include:
  - ♦ Ministry of Consumer and Business Services: An additional \$6 million to fund ServiceOntario, transferred from the ministry's operating program to capital.
  - ♦ Ministry of Culture: A reduction of \$1 million in the ministry's capital program and transferred to operating, for the Royal Botanical Gardens.

## RESERVE AT \$1.0 BILLION

- ♦ The reserve at \$1 billion, is unchanged from the 2004 Budget and the 2004 Economic Outlook and Fiscal Review. The reserve is included to protect the fiscal plan against unexpected and adverse changes in the economic and fiscal outlook. Any portion of the reserve not required at year-end will be used to reduce the deficit.

Change Fund Investments (\$ Millions)		
		2004-05
<b>BUDGET PLAN</b>		
<b>Investments for Health Care</b>		
Community Health Services – home care and community mental health	140	
Family Health Teams	111	
e-Health Initiatives	78	
Other Projects (including wait lists and workplace safety)	280	
		609
<b>Other Investments</b>		
ServiceOntario Enhancement	27	
College Stabilization	25	
Nutrient Management Financial Assistance Program	5	
All Other	6	
		63
<b>PROJECT APPROVALS SINCE BUDGET</b>		
Teacher Development Accounts	60	
All Other	8	
		68
<b>Unallocated amounts remaining</b>		260
<b>TOTAL CHANGE FUND INVESTMENTS</b>		<b>1,000</b>

- The 2004 Budget included a one-time \$1.0 billion Change Fund to support the government's plans to change and improve Ontario's public services. The Fund will help pay for projects that rationalize or better integrate existing programs and services, put in place new systems and processes to reduce long-term costs, or mitigate the demand for services over the long run.
- New key investments of \$68 million financed from the Change Fund this quarter include:
  - Ministry of Education: \$60 million for Teacher Development Accounts to provide one-time funding to offset some of the costs that teachers now bear for their professional development and to support school board collective bargaining.
  - All other approvals totalling \$8 million include projects supporting transformation in Management Board Secretariat and the Ministries of Children and Youth Services, Northern Development and Mines, and Transportation.
- Any unallocated amounts remaining in the Change Fund at year-end will be applied to reduce the deficit.



Statement of Financial Transactions (\$ Millions)					
	2000-01	2001-02	2002-03	Actual 2003-04	Current* Outlook 2004-05
<b>Revenue**</b>	66,294	66,534	68,891	68,400	79,041
<b>Expense</b>					
Programs	51,396	53,932	57,204	62,104	67,515
Capital***	2,123	1,890	1,876	2,175	2,580
Interest on Debt	10,873	10,337	9,694	9,604	10,114
<b>Total Expense</b>	64,392	66,159	68,774	73,883	80,209
<b>Reserve</b>	-	-	-	-	1,000
<b>SURPLUS / (DEFICIT)</b>	<b>1,902</b>	<b>375</b>	<b>117</b>	<b>(5,483)</b>	<b>(2,168)</b>
<b>Net Debt†</b>	<b>132,496</b>	<b>132,121</b>	<b>132,647</b>	<b>138,557</b>	<b>141,493</b>
<b>Accumulated Deficit†</b>	<b>132,496</b>	<b>132,121</b>	<b>118,705</b>	<b>124,188</b>	<b>126,356</b>

\* Third-quarter fiscal forecast as at December 31, 2004.

\*\* Includes one-time revenue gain of \$3,881 million related to the projected elimination of the liability for non-utility generator power purchase agreements in 2004-05.

\*\*\* Starting in 2002-03, major tangible capital assets owned by Provincial ministries (land, buildings and transportation infrastructure) are accounted for on a full accrual accounting basis. Other tangible capital assets owned by Provincial ministries will continue to be accounted for as expense in the year of acquisition or construction. All capital assets owned by consolidated government organizations are accounted for on a full accrual basis.

† Net Debt is calculated as the difference between liabilities and financial assets. The annual change in Net Debt is equal to the Surplus/Deficit plus the change in tangible capital assets. Accumulated Deficit is calculated as the difference between liabilities and financial and tangible capital assets. The annual change in the Accumulated Deficit is equal to the Surplus/Deficit.

Selected Ontario Economic and Fiscal Statistics					
	2000-01	2001-02	2002-03	Actual 2003-04	Current* Outlook 2004-05
Gross Domestic Product (GDP) at Market Prices (\$ Millions)	440,759	453,931	479,556	494,501	516,259
Population (000s) - July 1	11,685	11,898	12,102	12,257	12,393
Revenue as a per cent of GDP	15.0	14.7	14.4	13.8	15.3
Revenue Growth (%)	1.9	0.4	3.5	(0.7)	15.6
Total Expense as a per cent of GDP	14.6	14.6	14.3	14.9	15.5
Total Expense Growth (%)	0.0	2.7	4.0	7.4	8.6
Total Program Expense as a per cent of GDP	11.7	11.9	11.9	12.6	13.1
Total Program Expense Growth (%)	6.1	4.9	6.1	8.6	8.7
Interest on Debt as a per cent of Revenue	16.4	15.5	14.1	14.0	12.8
Interest on Debt as a per cent of Total Expense	16.9	15.6	14.1	13.0	12.6
Interest on Debt as a per cent of GDP	2.5	2.3	2.0	1.9	2.0
Surplus / (Deficit) as a per cent of GDP	0.4	0.1	0.0	(1.1)	(0.4)
Net Debt per capita (\$)	11,339	11,104	10,961	11,304	11,417
Net Debt as a per cent of GDP	30.1	29.1	27.7	28.0	27.4
Accumulated Deficit per capita (\$)	11,339	11,104	9,809	10,132	10,196
Accumulated Deficit as a per cent of GDP	30.1	29.1	24.8	25.1	24.5

\* Third-quarter fiscal forecast as at December 31, 2004.

Sources: Ontario Ministry of Finance and Statistics Canada.



## ONTARIO REAL GROSS DOMESTIC PRODUCT (GDP) UP IN JULY-SEPTEMBER QUARTER

- Ontario real GDP grew by 1.0 per cent in the third calendar quarter of 2004, up from a 0.9 per cent pace in the second quarter of 2004. For the year 2004 as a whole, the Ontario Ministry of Finance May Budget forecast of real GDP growth was 2.3 per cent, equal to the current average estimate from private-sector forecasts.

## ONTARIO UNEMPLOYMENT RATE DROPS TO 6.8 % IN 2004

- Ontario employment increased by 1.7 per cent or 108,000 new jobs in 2004, slightly exceeding the Ontario Budget forecast, while the unemployment rate fell to 6.8 per cent for the year, down from 7.0 per cent in 2003.
- In January, Ontario employment fell by 28,300 jobs. The unemployment rate declined by 0.1 percentage points to 6.7 per cent in January.

## RETAIL SALES UP IN 2004

- Ontario retail sales slipped 0.1 per cent in November, following a 1.3 per cent advance in October. Over the first eleven months of 2004, Ontario retail sales were 2.6 per cent higher than the same period in 2003. Retail sales growth for 2004 will be below the 3.5 per cent rate projected in the 2004 Budget.

## INFLATION LOWER IN 2004

- The Ontario CPI inflation rate fell to 1.9 per cent (year-to-year) in December from 2.2 per cent in November. In 2004, the Ontario CPI inflation rate was 1.9 per cent, matching the 2004 Budget forecast, down from 2.7 per cent in 2003.

## HOUSING MARKET STRONG IN 2004

- Annual Ontario housing starts remained at a robust level in 2004, despite declining 0.1 per cent from a 14-year high in 2003. In January 2005, Ontario housing starts fell 11.8 per cent to 71,700 units (seasonally adjusted annual rate), the third decline in as many months. Housing starts totalled 85,100 in 2004 exceeding the 2004 Budget forecast of 77,600 units.
- Ontario home resales increased for the fourth consecutive year to a record high of over 197,000 units in 2004, up 7.0 per cent from 2003.

## ONTARIO BUILDING PERMITS REACH RECORD HIGH IN 2004

- In 2004, Ontario building permits hit a record level for the third year in a row, increasing 2.9 per cent to \$23.9 billion. A 6.6 per cent increase in the value of residential permits offset a 3.0 per cent decline in the non-residential component. The value of Ontario building permits issued in December surged 33.1 per cent to \$2.5 billion, the highest monthly total on record.

## EXPORTS AND SHIPMENTS WEAKER

- Real Ontario merchandise exports fell 0.4 per cent in the October to December quarter of 2004, following a 1.6 per cent decline in the third quarter (Ontario Ministry of Finance estimates). Real imports rose 2.6 per cent in the final quarter of 2004. On an annual basis, real Ontario exports rose 5.1 per cent in 2004 while imports advanced by an even stronger 7.9 per cent.
- In November, the value of Ontario manufacturing shipments fell for the third month in a row, down 0.6 per cent to \$25.9 billion. Over the first eleven months of 2004, Ontario shipments were 7.1 per cent higher than the same period in 2003.

<b>ONTARIO KEY ECONOMIC INDICATORS</b> (Per Cent Change from previous period, unless indicated otherwise)							
	Annual		Quarterly				
	2002	2003	03:3	03:4	04:1	04:2	04:3
<b>Output (Seasonally Adjusted at Annual Rates)</b>							
Real GDP	3.4	1.6	(2.4)	4.6	1.8	3.7	4.0
Nominal GDP	5.6	3.1	(0.5)	4.3	4.5	8.6	6.4
	Annual		Monthly 2004				
	2003	2004	Aug	Sep	Oct	Nov	Dec
<b>Other Indicators (Seasonally Adjusted)</b>							
<b>Labour Markets</b>							
Labour Force (Change in 000s)	174	103	(9)	(20)	33	18	6
Employment (Change in 000s)	173	108	(18)	4	25	(2)	7
Unemployment Rate (%)	7.0	6.8	6.8	6.5	6.6	6.8	6.8
<b>Household Sector</b>							
Retail Sales	3.4	N/A	1.8	(0.4)	1.3	(0.1)	N/A
Housing Starts (000s)*	85.2	85.1	92.0	85.1	86.9	85.0	81.3
MLS Home Resales**	3.6	7.0	6.3	0.1	(5.2)	10.4	(1.4)
<b>Manufacturing Shipments</b>							
Transportation Equipment	(1.7)	N/A	1.5	(0.0)	(2.3)	(0.6)	N/A
<b>Consumer Price Index**</b>							
	2.7	1.9	1.5	1.5	2.1	2.2	1.9
Sources: Statistics Canada, Ontario Ministry of Finance, Canada Mortgage and Housing Corporation and Canadian Real Estate Association.							

\* Monthly housing starts are expressed at a seasonally adjusted annual rate.

\*\* per cent change from a year earlier.

N/A = Data not available.

**ONTARIO FINANCES**  
**FINANCIAL TABLES**

# REVENUE

(\$ Millions)	2004-05			
	Actual 2003-04	Budget Plan	Current* Outlook	In-Year Change
<b>TAXATION REVENUE</b>				
Personal Income Tax	18,301	18,821	19,050	229
Retail Sales Tax	14,258	15,036	14,876	(160)
Corporations Tax	6,658	8,320	8,250	(70)
Employer Health Tax	3,753	3,874	3,862	(12)
Gasoline Tax	2,264	2,328	2,263	(65)
Fuel Tax	681	716	716	-
Ontario Health Premium	-	1,635	1,622	(13)
Tobacco Tax	1,350	1,452	1,452	-
Land Transfer Tax	909	927	977	50
Electricity Payments-In-Lieu of Taxes	627	630	630	-
Other Taxes	347	259	259	-
	<b>49,148</b>	<b>53,998</b>	<b>53,957</b>	<b>(41)</b>
<b>GOVERNMENT OF CANADA</b>				
Canada Health and Social Transfer (CHST)	6,958	-	-	-
Canada Health Transfer (CHT)	-	4,677	5,065	388
Canada Social Transfer (CST)	-	2,924	2,924	-
CHST Supplements	577	775	775	-
Social Housing	528	521	521	-
Health Reform Fund	387	582	582	-
Medical Equipment	192	193	387	194
Wait Times Reduction Fund	-	-	242	242
Infrastructure	150	267	267	-
Other Government of Canada	1,101	859	859	-
	<b>9,893</b>	<b>10,798</b>	<b>11,622</b>	<b>824</b>
<b>INCOME FROM INVESTMENT IN GOVERNMENT BUSINESS ENTERPRISES</b>				
Ontario Lottery and Gaming Corporation	2,106	2,117	2,015	(102)
Liquor Control Board of Ontario	1,045	1,117	1,108	(9)
Ontario Power Generation Inc. and Hydro One Inc.	(17)	335	335	-
Other Government Enterprises	(64)	(5)	(5)	-
	<b>3,070</b>	<b>3,564</b>	<b>3,453</b>	<b>(111)</b>
<b>OTHER NON-TAX REVENUE</b>				
Net Reduction of Power Purchase Contract Liability**	104	4,024	4,024	-
Reimbursements	1,206	1,252	1,252	-
Electricity Debt Retirement Charge	1,000	1,009	1,009	-
Vehicle and Driver Registration Fees	985	987	987	-
Power Sales	510	675	675	-
Other Fees and Licences	594	536	536	-
Liquor Licence Revenue	488	499	507	8
Sales and Rentals	532	403	403	-
Royalties	248	239	239	-
Miscellaneous Other Non-Tax Revenue	622	376	377	1
	<b>6,289</b>	<b>10,000</b>	<b>10,009</b>	<b>9</b>
<b>TOTAL REVENUE</b>	<b>68,400</b>	<b>78,360</b>	<b>79,041</b>	<b>681</b>

\* Third-quarter fiscal forecast as at December 31, 2004.

\*\* Includes one-time revenue gain of \$3,881 million related to the projected elimination of the liability for non-utility generator power purchase agreements in 2004-05.

# OPERATING EXPENSE

(\$ Millions)	2004-05			
	Actual 2003-04	Budget Plan	Current* Outlook	In-Year Change
<b>MINISTRY</b>				
Agriculture and Food	673	549	569	20
Attorney General	1,199	1,162	1,195	33
Board of Internal Economy	196	149	149	-
Children and Youth Services	2,640	2,832	2,835	3
Citizenship and Immigration	52	62	62	-
Community and Social Services	5,995	6,317	6,317	-
Community Safety and Correctional Services	1,666	1,745	1,738	(7)
Consumer and Business Services	182	213	207	(6)
Culture	303	277	278	1
Democratic Renewal Secretariat	-	4	4	-
Economic Development and Trade	253	414	414	-
Education	9,665	10,623	10,685	62
Teachers' Pension Plan (TPP)	235	359	359	-
Energy	116	137	137	-
Environment	261	304	304	-
Executive Offices	24	19	19	-
Finance - Own Account	1,255	1,184	1,197	13
Interest on Debt	9,604	10,329	10,114	(215)
Change Fund	-	328	260	(68)
Community Reinvestment Fund	651	656	656	-
Electricity Consumer Price Protection Fund	253	-	-	-
Power Purchases	797	946	946	-
Health and Long-Term Care	28,036	29,652	30,480	828
Change Fund	-	609	609	-
SARS-related and Major One-Time Health Costs	824	-	-	-
Intergovernmental Affairs	6	9	14	5
Labour	117	133	133	-
Management Board Secretariat	214	355	358	3
Retirement Benefits	309	433	433	-
Contingency Fund	-	965	877	(88)
Municipal Affairs and Housing	662	692	705	13
Native Affairs Secretariat	15	14	18	4
Natural Resources	516	505	505	-
Northern Development and Mines	76	73	74	1
Office of Francophone Affairs	3	4	4	-
Public Infrastructure Renewal	18	31	31	-
Tourism and Recreation	209	184	184	-
Training, Colleges and Universities	3,883	4,194	4,195	1
Transportation	800	862	864	2
Year-End Savings	-	(300)	(300)	-
<b>TOTAL OPERATING EXPENSE</b>	<b>71,708</b>	<b>77,024</b>	<b>77,629</b>	<b>605</b>

\* Third-quarter fiscal forecast as at December 31, 2004.



# CAPITAL EXPENSE

MINISTRY	2004-05			
	Actual 2003-04	Budget Plan	Current* Outlook	In-Year Change
Agriculture and Food	1	7	7	-
Attorney General	24	55	55	-
Children and Youth Services	-	9	9	-
Community and Social Services	10	21	21	-
Community Safety and Correctional Services	47	42	42	-
Consumer and Business Services	1	2	8	6
Culture	24	70	69	(1)
Economic Development and Trade	31	39	52	13
Education	15	27	27	-
Energy	53	52	52	-
Environment	4	13	13	-
Finance	5	4	4	-
Health and Long-Term Care	358	346	346	-
Management Board Secretariat**	(33)	(13)	(13)	-
Municipal Affairs and Housing	206	234	237	3
Native Affairs Secretariat	-	2	2	-
Natural Resources	111	85	85	-
Northern Development and Mines	332	447	447	-
Public Infrastructure Renewal	18	168	168	-
Capital Contingency Fund	-	150	134	(16)
Tourism and Recreation	51	65	65	-
Training, Colleges and Universities	120	171	171	-
Transportation	797	679	679	-
Year-End Savings	-	(100)	(100)	-
<b>TOTAL CAPITAL EXPENSE</b>	<b>2,175</b>	<b>2,575</b>	<b>2,580</b>	<b>5</b>

\* Third-quarter fiscal forecast as at December 31, 2004.

\*\* Ministries' contributions for investments in Provincially owned land and buildings are recorded as an expense by the contributing ministries. Any resulting adjustment to expense from the capitalization and amortization of most of these Provincially owned land and buildings is recorded in Management Board Secretariat.

Schedule of Net Investment in Capital Assets – 2004-05 Current Outlook*				
(\$ Millions)				
	Land and Buildings	Transportation Infrastructure	Government Organizations' Capital Assets	Total
Acquisition/Construction of Major Tangible Capital Assets	135	998	432	1,565
Amortization of Provincially Owned Major Tangible Capital Assets	(78)	(524)	(195)	(797)
<b>NET INVESTMENT IN CAPITAL ASSETS**</b>	<b>57</b>	<b>474</b>	<b>237</b>	<b>768</b>

\* Third-quarter fiscal forecast as at December 31, 2004.

\*\* Major tangible capital assets owned by Provincial ministries (land, buildings and transportation infrastructure) are accounted for on a full accrual accounting basis. Other tangible capital assets owned by Provincial ministries continue to be accounted for as expense in the year of acquisition or construction. All capital assets owned by consolidated government organizations are accounted for on a full accrual basis.

# ONTARIO'S 2004-05 FINANCING PROGRAM

Consolidated Provincial Borrowing Program (\$ Millions)				
	Actual 2003-04	2004-05		
		Budget Plan	Current* Outlook	In-Year Change
Deficit	5,483	2,239	2,168	(71)
Adjustments for:				
Non-Cash Items Included in Deficit	(707)	3,219	3,237	18
Amortization of Major Tangible Capital Assets	(785)	(797)	(797)	-
Acquisitions of Major Tangible Capital Assets	1,350	1,565	1,565	-
Debt Maturities	13,296	16,087	15,440	(647)
Debt Redemptions	1,542	1,041	1,377	336
Canada Pension Plan Borrowing	(100)	(1,133)	(1,033)	100
Increase / (Decrease) in Cash and Cash Equivalents	887	-	-	-
Decrease / (Increase) in Short-Term Borrowing	1,441	150	150	-
Other Uses / (Sources) of Cash	3,042	1,380	1,546	166
Long-Term Public Borrowing Requirement	25,449	23,751	23,653	(98)

\* Third-quarter fiscal forecast as at December 31, 2004.

Borrowing Program Status (as at December 31, 2004) (\$ Millions)			
	Completed	Remaining	Total
Province	16,533	3,123	19,656
Ontario Electricity Financial Corporation (OEFEC)	2,656	1,341	3,997
<b>TOTAL</b>	<b>19,189</b>	<b>4,464</b>	<b>23,653</b>

- ♦ The Province's Long-Term Borrowing Requirement, at \$23,653 million, is down \$98 million from the 2004 Budget and up \$239 million from the 2004 Economic Outlook and Fiscal Review. Changes this quarter include:
  - ♦ An \$800 million increase in Cash and Cash Equivalents, and a \$76 million decrease in Short-Term Borrowing. This action was taken because the Province is well ahead in its 2004-05 borrowing program and long-term interest rates remain at very attractive levels. This returns these components of the Long-Term Borrowing Requirement to their Budget Plan levels.
  - ♦ A \$98 million increase in Other Uses of Cash mainly attributable to the deferral of a \$250 million principal payment on a loan from OEFEC to Ontario Power Generation (OPG), partially offset by a smaller-than-expected net increase in loans to the Ontario Student Loan Trust.

## ONTARIO'S 2004-05 FINANCING PROGRAM CONT'D

---


- ♦ The \$647 million decline in debt maturing this year is attributable to debt which had extendible features which were exercised - either the investor or the Province had the right to extend the maturity to future years. As part of prudent budget forecasting, it was assumed that this debt would mature in fiscal 2004-05. \$608 million of these maturity deferrals have occurred since the release of the 2004 Economic Outlook and Fiscal Review.
- ♦ A \$123 million decline in Ontario Savings Bond (OSB) redemptions as compared to the forecast at the time of 2004 Ontario Economic Outlook and Fiscal Review.
- ♦ A \$4 million decline in Non-Cash Items Included in Deficit which includes a \$95 million interest payment on a loan from OEFC to OPG, for which OEFC received a promissory note in lieu of cash.
- ♦ Long-term public borrowing undertaken as at December 31, 2004, was \$19.2 billion as follows:

	(\$ Millions)
Ontario Savings Bonds	1,144
Domestic Issues	11,634
Euro Medium Term Notes	1,629
Other	4,782
	<b>19,189</b>

# ONTARIO FINANCES

2005-06 FIRST QUARTER

QUARTERLY UPDATE - JUNE 30, 2005

 Ontario  
Ministry of Finance

Fiscal Summary (\$ Millions)				
		2005-06		
	Interim 2004-05	Budget Plan	Current* Outlook	In-Year Change
<b>Revenue</b>	77,137	81,687	81,687	-
<b>Expense</b>				
Programs	67,622	71,014	71,014	-
Capital	2,899	2,673	2,673	-
Interest on Debt	9,609	9,796	9,796	-
<b>Total Expense</b>	80,130	83,483	83,483	-
<b>Surplus/(Deficit) Before Reserve</b>	<b>(2,993)</b>	<b>(1,796)</b>	<b>(1,796)</b>	-
Reserve	-	1,000	1,000	-
<b>SURPLUS / (DEFICIT)</b>	<b>(2,993)</b>	<b>(2,796)</b>	<b>(2,796)</b>	-

\* First-quarter fiscal forecast as at June 30, 2005.

## HIGHLIGHTS

### 2005-06 IN-YEAR PERFORMANCE

#### DEFICIT OUTLOOK AT \$2.8 BILLION

- The 2005-06 deficit outlook is on track with the fiscal outlook presented in the 2005 Ontario Budget. As at June 30, 2005, a deficit of \$2,796 million is projected for 2005-06, unchanged from the Budget Plan.

#### REVENUE AT \$81.7 BILLION

- The revenue outlook, at \$81,687 million, is unchanged from the fiscal outlook presented in the Budget Plan.

#### EXPENSE AT \$83.5 BILLION

- Total expense, at \$83,483 million, is unchanged from the fiscal outlook presented in the Budget Plan.

#### RESERVE AT \$1.0 BILLION

- The Budget Plan includes a \$1 billion reserve to protect against unexpected and adverse changes in the economic and fiscal outlook.

## MAY 7<sup>TH</sup> AGREEMENT

- On May 7<sup>th</sup>, the Ontario government reached an agreement with the federal government, which will see additional federal spending in Ontario of \$5.75 billion between now and 2009-10. The fiscal impact of the agreement between Premier McGuinty and Prime Minister Martin has not been included in the first-quarter Ontario Finances. Discussions with the federal government regarding the implementation of this agreement are currently underway. As details become available, they will be reported in future quarterly updates.

For further information contact  
Communications and Corporate Affairs Branch  
(416) 325-0333  
Frost Building North, Queen's Park  
Toronto M7A 1Z1

This document is available on the Internet at: <http://www.gov.on.ca/FIN/english/engfinances.htm>

Ce rapport est disponible en français  
Pour plus de renseignements contactez  
Direction des communications et des  
affaires ministérielles, (416) 325-0333  
Édifice Frost Nord, Queen's Park, Toronto M7A 1Z1



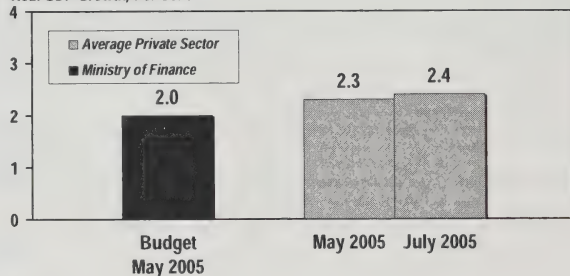
## ONTARIO ECONOMIC OUTLOOK

Ontario's economic growth is expected to be moderate in 2005, with real GDP rising by 2.0 per cent, after an increase of 2.8 per cent in 2004. The slower rate of economic growth reflects the appreciation of the Canadian dollar, continuing high oil prices and an easing in the pace of growth in the U.S. economy.

The average recent private-sector forecast for Ontario economic growth is 2.4 per cent in 2005, up from 2.3 per cent at the time of the Budget.

### Ontario Economic Outlook for 2005 2005 Budget and Average Private-Sector Forecast

Real GDP Growth, Per Cent



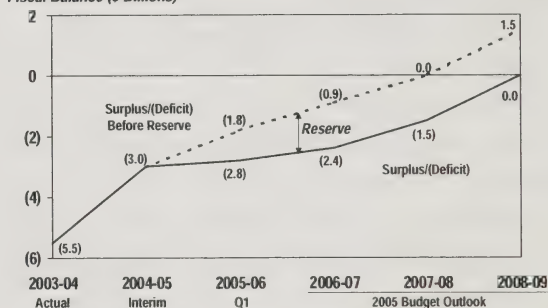
## ONTARIO FISCAL OUTLOOK

The creation of Ontario's structural deficit started in 2000-01, when program spending began to outpace growth in taxation revenue. Between 2000-01 and 2003-04, spending on Provincial programs grew by 21 per cent while Provincial taxation revenue, which provides the bulk and most stable source of Provincial revenue, actually declined by 0.7 per cent.

The government's medium-term fiscal plan aims to reduce the Provincial deficit from the \$5.5 billion recorded in 2003-04 and \$3.0 billion in 2004-05 by setting steadily declining deficit targets of \$2.8 billion in 2005-06, \$2.4 billion in 2006-07, \$1.5 billion in 2007-08, and achieving a balanced budget no later than 2008-09. A balanced budget will be achieved one year earlier, if the reserve is not required in 2007-08.

### Medium-Term Deficit Reduction Plan

Fiscal Balance (\$ Billions)



The government is on track to achieve the deficit target of \$2.8 billion in 2005-06. The medium-term fiscal plan also includes reserves to protect against unexpected and adverse changes in the economic and fiscal outlook.



**FISCAL PERFORMANCE****REVENUE AT \$81.7 BILLION**

- ♦ The revenue outlook, at \$81,687 million, is unchanged from the 2005-06 Budget Plan.

**EXPENSE AT \$83.5 BILLION**

- ♦ The expense outlook, at \$83,483 million, is unchanged from the 2005-06 Budget Plan.

**OPERATING EXPENSE**

- ♦ Total program expense, at \$71,014 million, is unchanged from the 2005-06 Budget Plan. Ministry program expense changes in the first quarter, and the corresponding offsets, include:
  - ♦ Native Affairs Secretariat: An additional \$30 million for settlement of the Rainy River land claim agreement, signed by Ontario, Canada and the Rainy River First Nation, fully offset from the Contingency Fund.
  - ♦ Ministry of Northern Development and Mines: An additional \$5 million for the Far North Geological Mapping Initiative, fully offset from the Contingency Fund.
  - ♦ The Interest on Debt expense forecast, at \$9,796 million, is unchanged from the 2005-06 Budget Plan.

**CAPITAL EXPENSE**

- ♦ Capital expense, at \$2,673 million, is unchanged from the 2005-06 Budget Plan.

**RESERVE AT \$1.0 BILLION**

- ♦ The reserve, at \$1 billion, is unchanged from the 2005-06 Budget Plan.

Statement of Financial Transactions (\$ Millions)					
	2001-02	2002-03	Actual 2003-04	Interim 2004-05	Current* Outlook 2005-06
<b>Revenue</b>	66,534	68,891	68,400	77,137	81,687
<b>Expense</b>					
Programs	53,932	57,204	62,104	67,622	71,014
Capital**	1,890	1,876	2,175	2,899	2,673
Interest on Debt	10,337	9,694	9,604	9,609	9,796
<b>Total Expense</b>	66,159	68,774	73,883	80,130	83,483
<b>Surplus / (Deficit) Before Reserve</b>	375	117	(5,483)	(2,993)	(1,796)
<b>Reserve</b>	-	-	-	-	1,000
<b>Surplus / (Deficit)</b>	375	117	(5,483)	(2,993)	(2,796)
<b>Net Debt†</b>	132,121	132,647	138,557	142,228	146,017
<b>Accumulated Deficit†</b>	132,121	118,705	124,188	127,181	129,977

\* First-quarter fiscal forecast as at June 30, 2005.

\*\* Starting in 2002-03, major tangible capital assets owned by Provincial ministries (land, buildings and transportation infrastructure) are accounted for on a full accrual accounting basis. Other tangible capital assets owned by Provincial ministries will continue to be accounted for as expense in the year of acquisition or construction. All capital assets owned by consolidated government organizations are accounted for on a full accrual basis.

† Net debt is calculated as the difference between liabilities and financial assets. The annual change in Net Debt is equal to the Surplus/Deficit plus the change in tangible capital assets. Accumulated Deficit is calculated as the difference between liabilities and financial and tangible capital assets. The annual change in the Accumulated Deficit is equal to the Surplus/Deficit.

Selected Economic and Fiscal Statistics					
	2001-02	2002-03	Actual 2003-04	Interim 2004-05	Current* Outlook 2005-06
Gross Domestic Product (GDP) at Market Prices*** (\$ Millions)	453,959	477,911	493,802	516,844	537,001
Ontario Population (000s) - July 1	11,898	12,102	12,257	12,393	12,551
Ontario Revenue as a per cent of GDP	14.7	14.4	13.9	14.9	15.2
Ontario Revenue Growth (%)	0.4	3.5	(0.7)	12.8	5.9
Ontario Total Expense as a per cent of GDP	14.6	14.4	15.0	15.5	15.5
Ontario Total Expense Growth (%)	2.7	4.0	7.4	8.5	4.2
Ontario Total Program Expense as a per cent of GDP	11.9	12.0	12.6	13.1	13.2
Ontario Total Program Expense Growth (%)	4.9	6.1	8.6	8.9	5.0
Ontario Interest on Debt as a per cent of Revenue	15.5	14.1	14.0	12.5	12.0
Ontario Interest on Debt as a per cent of Total Expense	15.6	14.1	13.0	12.0	11.7
Ontario Interest on Debt as a per cent of GDP	2.3	2.0	1.9	1.9	1.8
Ontario Surplus / (Deficit) as a per cent of GDP	0.1	0.0	(1.1)	(0.6)	(0.5)
Net Debt per capita (\$)	11,104	10,961	11,304	11,476	11,634
Net Debt as a per cent of GDP	29.1	27.8	28.1	27.5	27.2
Accumulated Deficit per capita (\$)	11,104	9,809	10,132	10,262	10,356
Accumulated Deficit as a per cent of GDP	29.1	24.8	25.1	24.6	24.2

\* First-quarter fiscal forecast as at June 30, 2005.

\*\*\* Reflects Statistics Canada's revisions to the National Income and Expenditure Accounts, and the Ontario Economic Accounts.

Sources: Ontario Ministry of Finance and Statistics Canada.

## **ONTARIO REAL GROSS DOMESTIC PRODUCT (GDP) GROWTH CONTINUES**

- Ontario's real GDP grew by 0.5 per cent in the first calendar quarter of 2005. Growth was supported by household and business spending and by a modest improvement in Ontario's net trade position. A slower pace of inventory accumulation was the main source of weakness for the economy.

## **SOLID JOB CREATION IN 2005**

- Over the first six months of 2005, Ontario has gained 76,300 jobs compared to the same period last year, a 1.2 per cent increase. In June, Ontario gained 6,900 net new jobs, the fifth consecutive monthly job gain. The June unemployment rate was 6.7 per cent.
- Ontario employment increased by 1.7 per cent or 108,000 new jobs in 2004, while the unemployment rate for the year fell to 6.8 per cent from 7.0 per cent in 2003.

## **RETAIL SALES GROWING**

- Over the first five months of 2005, Ontario retail sales were 4.3 per cent higher than the same period in 2004.

## **INFLATION REMAINS MODERATE**

- The Ontario CPI inflation rate rose to 1.9 per cent (year-to-year) in June from 1.5 per cent in May. In 2004, the Ontario CPI Inflation rate was 1.9 per cent, down from 2.7 per cent in 2003 and the lowest rate since 1999.

## **ACTIVITY IN HOUSING MARKET MODERATES**

- Over the first six months of 2005, Ontario housing starts were 4.1 per cent lower than during the same period last year.
- Over the first five months of 2005, Ontario home resales were 4.5 per cent lower than the record-setting pace of 2004. Average prices for a resale home were up 7.0 per cent in May from a year ago.

## **NON-RESIDENTIAL BUILDING PERMITS STRONGER**

- Over the first five months of 2005, the value of Ontario building permits issued for commercial, industrial and institutional construction was 19.9 per cent higher than the same period a year ago. A total of \$3.2 billion in construction permits has been issued over this period.

## **MANUFACTURING SHIPMENTS GROW / INTERNATIONAL EXPORTS WEAKER IN 2005**

- Over the first five months of 2005, Ontario shipments were 2.3 per cent higher than the same period in 2004.
- So far this year, Ontario international exports were down 0.7 per cent from the first five months of last year, while imports were up 4.1 per cent.

KEY ECONOMIC INDICATORS (Per Cent Change from previous period, unless indicated otherwise)								
		Annual	Annual	Quarterly				
		2003	2004	04:1	04:2	04:3	04:4	05:1
<b>Output (Seasonally Adjusted at Annual Rates)</b>								
Real GDP	Ontario	1.7	2.8	1.3	6.2	6.0	2.7	2.0
Nominal GDP	Ontario	3.3	4.7	4.0	9.9	6.5	5.1	4.1
		Annual	Annual	Monthly 2005				
		2003	2004	Feb	Mar	Apr	May	Jun
<b>Other Indicators (Seasonally Adjusted)</b>								
<b>Labour Markets</b>								
Labour Force (Change in 000s)		174	103	25	14	23	40	(3)
Employment (Change in 000s)		173	108	19	7	26	32	7
Unemployment Rate (%)		7.0	6.8	6.8	6.9	6.8	6.9	6.7
<b>Household Sector</b>								
Retail Sales		3.4	3.2	0.3	(0.1)	1.8	(2.6)	N/A
Housing Starts (000s)*		85.2	85.1	73.9	72.3	86.3	74.7	103.6
MLS Home Resales**		3.6	7.0	1.3	(14.3)	(5.0)	0.3	N/A
<b>Manufacturing Shipments</b>								
Transportation Equipment		(1.7)	7.0	(2.1)	(3.6)	1.4	(0.7)	N/A
<b>Consumer Price Index**</b>								
		2.7	1.9	2.2	2.3	2.3	1.5	1.9
Sources: Statistics Canada, Ontario Ministry of Finance, Canada Mortgage and Housing Corporation, Canadian Real Estate Association and Ward's Automotive.								

\* Monthly housing starts are expressed at a seasonally adjusted annual rate.

\*\* per cent change from a year earlier.

N/A = Data not available.

**ONTARIO FINANCES**  
**FINANCIAL TABLES**



# REVENUE

(\$ Millions)	2005-06			
	Interim 2004-05	Budget Plan	Current* Outlook	In-Year Change
<b>TAXATION REVENUE</b>				
Personal Income Tax	19,095	20,026	20,026	-
Retail Sales Tax	14,903	15,475	15,475	-
Corporations Tax	9,513	9,248	9,248	-
Employer Health Tax	3,886	4,033	4,033	-
Ontario Health Premium	1,749	2,422	2,422	-
Gasoline Tax	2,283	2,308	2,308	-
Fuel Tax	719	733	733	-
Tobacco Tax	1,466	1,511	1,511	-
Land Transfer Tax	1,056	1,056	1,056	-
Electricity Payments-In-Lieu of Taxes	509	656	656	-
Other Taxes	284	258	258	-
	<b>55,463</b>	<b>57,726</b>	<b>57,726</b>	-
<b>GOVERNMENT OF CANADA</b>				
Canada Health Transfer (CHT)**	5,636	7,127	7,127	-
Canada Social Transfer (CST)***	2,917	3,311	3,311	-
CHST Supplements	775	584	584	-
Social Housing	521	520	520	-
Infrastructure Programs	222	293	293	-
Wait Times Reduction Fund	242	243	243	-
Medical Equipment Funds	387	194	194	-
Other Government of Canada	1,324	901	901	-
	<b>12,024</b>	<b>13,173</b>	<b>13,173</b>	-
<b>INCOME FROM INVESTMENT IN GOVERNMENT BUSINESS ENTERPRISES</b>				
Ontario Lottery and Gaming Corporation	1,970	1,941	1,941	-
Liquor Control Board of Ontario	1,140	1,186	1,186	-
Ontario Power Generation Inc. and Hydro One Inc.	402	887	887	-
Other Government Enterprises	2	5	5	-
	<b>3,514</b>	<b>4,019</b>	<b>4,019</b>	-
<b>OTHER NON-TAX REVENUE</b>				
Reimbursements	1,258	1,319	1,319	-
Electricity Debt Retirement Charge	1,009	1,018	1,018	-
Vehicle and Driver Registration Fees	991	1,017	1,017	-
Power Sales	610	961	961	-
Other Fees and Licences	494	510	510	-
Liquor Licence Revenue	493	502	502	-
Net Reduction of Power Purchase Contract Liability	236	396	396	-
Sales and Rentals	355	369	369	-
Royalties	268	236	236	-
Miscellaneous Other Non-Tax Revenue	422	441	441	-
	<b>6,136</b>	<b>6,769</b>	<b>6,769</b>	-
<b>TOTAL REVENUE</b>	<b>77,137</b>	<b>81,687</b>	<b>81,687</b>	-

\* First-quarter fiscal forecast as at June 30, 2005.

\*\* Health Reform Fund included in CHT in 2004-05.

\*\*\*Includes 2005 Federal Budget additional Early Learning and Child Care revenues of \$272 million in 2005-06.

# OPERATING EXPENSE

(\$ Millions)		2005-06		
MINISTRY	Interim 2004-05	Budget Plan	Current* Outlook	In-Year Change
Agriculture and Food	733	564	564	-
One-Time and Extraordinary Costs	444	-	-	-
Attorney General	1,183	1,199	1,199	-
Board of Internal Economy	149	167	167	-
Children and Youth Services	2,856	3,196	3,196	-
Citizenship and Immigration	56	63	63	-
Community and Social Services	6,393	6,595	6,595	-
Community Safety and Correctional Services	1,741	1,753	1,753	-
Consumer and Business Services	201	178	178	-
Culture	295	275	275	-
Democratic Renewal Secretariat	2	4	4	-
Economic Development and Trade	279	688	688	-
Education	10,526	11,267	11,267	-
Teachers' Pension Plan (TPP)	240	290	290	-
Energy	138	148	148	-
Environment	310	314	314	-
Executive Offices	19	19	19	-
Finance - Own Account	1,141	1,126	1,126	-
Interest on Debt	9,609	9,796	9,796	-
Community Reinvestment Fund/Ontario Municipal Partnership Fund	626	662	662	-
Community Reinvestment Fund One-Time Transition Funding	233	-	-	-
Power Purchases	850	961	961	-
Health and Long-Term Care	31,112	32,948	32,948	-
Intergovernmental Affairs	13	8	8	-
Labour	132	146	146	-
Management Board Secretariat	687	469	469	-
Retirement Benefits	493	514	514	-
Contingency Fund	-	557	522	(35)
Municipal Affairs and Housing	771	683	683	-
Native Affairs Secretariat	18	14	44	30
Natural Resources	485	492	492	-
Northern Development and Mines	79	111	116	5
Office of Francophone Affairs	4	4	4	-
Public Infrastructure Renewal	20	30	30	-
Tourism and Recreation	184	163	163	-
Training, Colleges and Universities	4,298	4,781	4,781	-
Transportation	911	975	975	-
Year-End Savings	-	(350)	(350)	-
<b>TOTAL OPERATING EXPENSE</b>	<b>77,231</b>	<b>80,810</b>	<b>80,810</b>	<b>-</b>

\* First-quarter fiscal forecast as at June 30, 2005.

Note: Does not reflect government restructuring of ministries as announced on June 29, 2005. Work is currently underway to implement the new government structure and will be reflected in future fiscal updates.

# CAPITAL EXPENSE†

(\$ Millions)	2005-06			
	Interim 2004-05	Budget Plan	Current* Outlook	In-Year Change
<b>MINISTRY</b>				
Agriculture and Food	4	11	11	-
Attorney General	37	75	75	-
Children and Youth Services	5	109	109	-
Community and Social Services	20	33	33	-
Community Safety and Correctional Services	32	48	48	-
Consumer and Business Services	4	5	5	-
Culture	67	115	115	-
Economic Development and Trade	77	82	82	-
Education	50	6	6	-
Energy	53	49	49	-
Environment	7	13	13	-
Finance	5	5	5	-
Health and Long-Term Care	531	339	339	-
Management Board Secretariat**	(5)	(18)	(18)	-
Municipal Affairs and Housing	273	392	392	-
Native Affairs Secretariat	2	3	3	-
Natural Resources	74	53	53	-
Northern Development and Mines	357	421	421	-
Public Infrastructure Renewal	46	57	57	-
Capital Contingency Fund	-	175	175	-
Tourism and Recreation	65	93	93	-
Training, Colleges and Universities	421	135	135	-
Transportation	774	622	622	-
Year-End Savings	-	(150)	(150)	-
<b>TOTAL CAPITAL EXPENSE</b>	<b>2,899</b>	<b>2,673</b>	<b>2,673</b>	<b>-</b>

† Starting in 2002-03, major tangible capital assets owned by Provincial ministries (land, buildings and transportation infrastructure) are accounted for on a full accrual accounting basis. Other tangible capital assets owned by Provincial ministries will continue to be accounted for as expense in the year of acquisition or construction. All capital assets owned by consolidated government organizations are accounted for on a full accrual basis.

\* First-quarter fiscal forecast as at June 30, 2005.

\*\* Ministries' contributions for investments in Provincially owned land and buildings are recorded as an expense by the contributing ministries. Starting in 2002-03 any resulting adjustment to expense from the capitalization and amortization of most of these Provincially owned land and buildings is recorded in Management Board Secretariat.

Note: Does not reflect government restructuring of ministries as announced on June 29, 2005. Work is currently underway to implement the new government structure and will be reflected in future fiscal updates.

## Schedule of Net Investment in Capital Assets – 2005-06 Current Outlook\* (\$ Millions)

	Land and Buildings	Transportation Infrastructure	Government Organizations' Capital Assets	Total
Acquisition/Construction of Major Tangible Capital Assets	160	1,131	526	1,817
Amortization of Provincially Owned Major Tangible Capital Assets	(84)	(534)	(206)	(824)
<b>NET INVESTMENT IN CAPITAL ASSETS</b>	<b>76</b>	<b>597</b>	<b>320</b>	<b>993</b>

\* First-quarter fiscal forecast as at June 30, 2005.

# ONTARIO'S 2005-06 FINANCING PROGRAM

Consolidated Province and Ontario Electricity Financial Corporation (\$ Millions)				
	Interim 2004-05	2005-06		
		Budget Plan	Current* Outlook	In-Year Change
Deficit/(Surplus)	2,993	2,796	2,796	-
Adjustments for:				
Non-Cash Items Included in Deficit	(1,971)	2,309	2,309	-
Amortization of Major Tangible Capital Assets	(796)	(824)	(824)	-
Acquisitions of Major Tangible Capital Assets	1,474	1,817	1,817	-
Debt Maturities	15,313	20,500	20,500	-
Debt Redemptions	1,377	700	700	-
Canada Pension Plan Borrowing	(1,033)	(1,214)	(1,159)	55
Increase / (Decrease) in Cash and Cash Equivalents	-	-	(558)	(558)
Pre-funding for 2005-06	5,940	-	-	-
Decrease / (Increase) in Short-Term Borrowing	180	-	-	-
Other Uses / (Sources) of Cash	1,365	1,144	1,647	503
Long-Term Public Borrowing Requirement	24,842	27,228	27,228	-

\* First-quarter fiscal forecast as at June 30, 2005.

Borrowing Program Status (as at June 30, 2005) (\$ Billions)			
	Completed	Remaining	Total
Province	11.6	13.1	24.7
Ontario Electricity Financial Corporation	0.7	1.8	2.5
<b>TOTAL</b>	<b>12.3</b>	<b>14.9</b>	<b>27.2</b>

- Long-Term Public Borrowing undertaken as at June 30, 2005, was \$12.3 billion as follows:

(\$ Billions)	
Ontario Savings Bonds	1.8
Domestic Issues	8.2
Global Issues	1.8
Euro Medium Term Notes	0.3
Other	0.2
	<b>12.3</b>

- The current outlook for the Total Long-Term Public Borrowing Requirement is unchanged from the Budget Plan. In-year changes to the components of the Total Long-Term Public Borrowing Requirement are:
  - An increase in Other Uses/(Sources) of Cash, which is mainly attributable to projected short-term loans to the Ontario Power Authority (OPA), to bridge the timing of their cash flow requirements.
  - Use of \$55 million of Canada Pension Plan (CPP) borrowing to finance early retirement of less cost-effective debt. This \$55 million is unavailable to reduce the Long-Term Public Borrowing Requirement.
  - These items are offset by an equivalent reduction in Cash and Cash Equivalents.







## Fiscal Summary (\$ Millions)

	Actual 2004-05	2005-06		
		Budget Plan	Current* Outlook	In-Year Change
<b>Revenue</b>	77,841	81,687	82,132	445
<b>Expense</b>				
Programs	67,009	71,014	71,224	210
Capital	3,019	2,673	2,706	33
Interest on Debt	9,368	9,796	9,571	(225)
<b>Total Expense</b>	79,396	83,483	83,501	18
<b>Surplus/(Deficit) Before Reserve</b>	<b>(1,555)</b>	<b>(1,796)</b>	<b>(1,369)</b>	<b>427</b>
Reserve	--	1,000	1,000	-
<b>SURPLUS / (DEFICIT)</b>	<b>(1,555)</b>	<b>(2,796)</b>	<b>(2,369)</b>	<b>427</b>

\* Third-quarter fiscal forecast as at December 31, 2005.

## HIGHLIGHTS

### 2005-06 IN-YEAR PERFORMANCE

#### ECONOMIC OUTLOOK

- Ministry of Finance revised its real GDP growth projection for 2005 up from 2.0 per cent at the time of the 2005 Ontario Budget to 2.2 per cent in the 2005 Economic Outlook and Fiscal Review.

#### DEFICIT OUTLOOK AT \$2.4 BILLION

- The 2005-06 deficit outlook is \$2,369 million, an improvement of \$427 million from that presented in the 2005 Budget Plan and is unchanged from the fiscal outlook included in the 2005 Economic Outlook and Fiscal Review. If the reserve is not required by year-end, the deficit is projected to be \$1,369 million.

#### REVENUE OUTLOOK AT \$82.1 BILLION

- The 2005-06 revenue outlook, at \$82,132 million, is up a net \$445 million from that presented in the 2005 Budget Plan and is unchanged from the outlook included in the 2005 Economic Outlook and Fiscal Review.

#### EXPENSE OUTLOOK AT \$83.5 BILLION

- The 2005-06 total expense outlook, at \$83,501 million, is up a net \$18 million from that presented in the 2005 Budget Plan and is unchanged from the outlook included in the 2005 Economic Outlook and Fiscal Review.

#### RESERVE AT \$1.0 BILLION

- The current fiscal outlook maintains a \$1.0 billion reserve to protect against unexpected and adverse changes in the economic and fiscal outlook.

For further information contact  
Communications and Corporate Affairs Branch  
(416) 325-0333  
Frost Building North, Queen's Park  
Toronto M7A 1Z1

Ce rapport est disponible en français  
Pour plus de renseignements contactez  
Direction des communications et des  
affaires ministérielles, (416) 325-0333  
Édifice Frost Nord, Queen's Park, Toronto M7A 1Z1

This document is available on the Internet at: <http://www.fin.gov.on.ca/english/finances/2005/index.html>

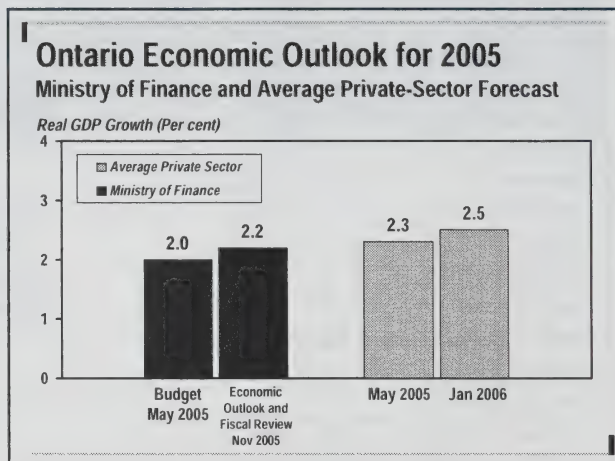
## ONTARIO'S ECONOMIC OUTLOOK

Over the first three quarters of 2005, the Ontario economy was remarkably resilient in the face of adverse factors such as higher oil prices and the appreciation of the Canadian dollar.

The Ministry of Finance raised its real GDP growth assumption from 2.0 per cent in the 2005 Budget to 2.2 per cent in the 2005 Economic Outlook and Fiscal Review.

The average private-sector forecast for Ontario economic growth is currently 2.5 per cent in 2005, up from 2.3 per cent at the time of the Budget.

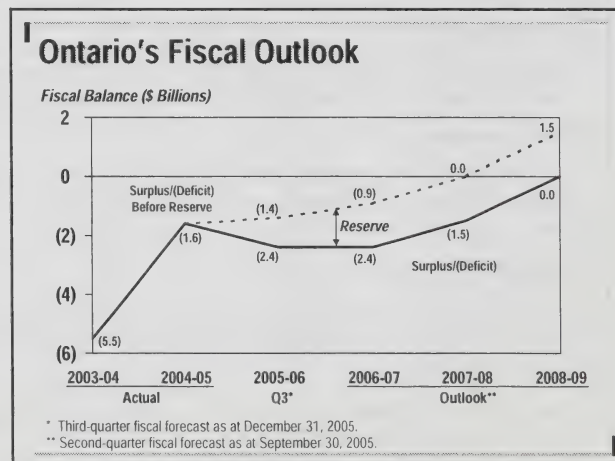
Private-sector forecasts for 2006 and beyond have weakened since the 2005 Budget, primarily due to higher oil prices and the stronger Canadian dollar (from 2.9 per cent to 2.5 per cent for 2006, from 3.7 per cent to 3.0 per cent for 2007, and from 3.7 per cent to 3.3 per cent for 2008).



## ONTARIO'S FISCAL OUTLOOK

The government's medium-term fiscal plan, as outlined in the 2005 Budget, is to eliminate the deficit no later than 2008-09. A balanced budget will be achieved one year earlier, if the reserve is not required in 2007-08.

The 2005 Economic Outlook and Fiscal Review reported that the fiscal outlook for 2005-06 is expected to improve from the 2005 Budget deficit projection of \$2.8 billion. The 2005-06 deficit projection is unchanged from the 2005 Economic Outlook and Fiscal Review, and is currently forecast at \$2.4 billion, or \$1.4 billion if the reserve is not required by year-end.



## FISCAL PERFORMANCE

### REVENUE AT \$82.1 BILLION

- The 2005-06 revenue outlook at \$82,132 million is up a net \$445 million from that presented in the 2005 Budget Plan and is unchanged from the outlook included in the 2005 Economic Outlook and Fiscal Review. The increase from the 2005 Budget is mainly due to higher revenues from processing 2004 Personal Income Tax and Corporations Tax returns.
- The 2005-06 outlook maintains the prudent approach adopted in the 2005 Economic Outlook and Fiscal Review. While economic growth in calendar-year 2005 is stronger than projected in the 2005 Budget and could boost 2005-06 revenues, risks to the outlook remain. Recent economic forecasts indicate slower growth in calendar-year 2006, which could lower revenues in the last quarter of fiscal-year 2005-06. In addition, further revenue information will arrive later in fiscal-year 2005-06, notably the finalization of 2004 tax return processing and 2005 Corporations Tax instalment payments. Given these risks and uncertainties, the revenue outlook is unchanged from the previous quarter.

### EXPENSE AT \$83.5 BILLION

- The 2005-06 total expense outlook, at \$83,501 million, is up a net \$18 million from the 2005 Budget Plan and is unchanged from the outlook included in the 2005 Economic Outlook and Fiscal Review. The increase from the 2005 Budget, as outlined in the 2005 Economic Outlook and Fiscal Review, is mainly due to an in-year increase of \$221 million related to obligations for retirement benefits, \$28 million for the Forest Sector Strategy, and interest on debt savings of \$225 million.

### OPERATING EXPENSE

- The 2005-06 total operating expense outlook, at \$80,795 million, is down a net \$15 million from the 2005 Budget Plan and down a net \$33 million this quarter.
- The 2005-06 total program expense outlook, at \$71,224 million, is up a net \$210 million from the 2005 Budget Plan and down a net \$33 million from the outlook in the 2005 Economic Outlook and Fiscal Review. Ministry program expense changes in the third quarter, and the corresponding offsets, include:
  - Ministry of the Attorney General: An additional \$2 million for the expansion of the Guns and Gangs Task Force, fully offset from the Contingency Fund.
  - Ministry of Children and Youth Services: A net increase of \$2 million, due to an increase this quarter of \$35 million for Children's Aid Societies to address higher-than-planned caseloads, offset from the Contingency Fund; and a decrease of \$33 million due to the realignment of funding from operating to capital to support the expansion of licenced child care spaces, as part of the Province's Best Start Plan. The Best Start initiative is supported by federal Early Learning and Child Care funding.
  - Ministry of Citizenship and Immigration: An additional \$6 million, mainly to enhance the Ministry's capacity to provide support for newcomers and to implement the Canada-Ontario Immigration Agreement signed on November 21, 2005, both fully offset from the Contingency Fund.
  - Ministry of Community Safety and Correctional Services: An additional \$5 million to support the Toronto Police Service's offensive against guns and gangs, fully offset from the Contingency Fund.
- The 2005-06 Interest on Debt expense forecast, at \$9,571 million, is down \$225 million from the 2005 Budget Plan and is unchanged from the 2005 Economic Outlook and Fiscal Review.

**CAPITAL EXPENSE**

- ♦ The 2005-06 capital expense outlook, at \$2,706 million, is up a net \$33 million from the 2005 Budget Plan and the outlook included in the 2005 Economic Outlook and Fiscal Review. Ministry capital expense changes in the third quarter include:
  - ♦ Ministry of Children and Youth Services: An additional \$33 million due to the realignment of funding from operating to capital to support the expansion of licenced child care spaces, as part of the Province's Best Start Plan.

**RESERVE AT \$1.0 BILLION**

- ♦ The current 2005-06 fiscal outlook includes a \$1.0 billion reserve, unchanged from the 2005 Budget and the 2005 Economic Outlook and Fiscal Review. The reserve is included to protect against unexpected and adverse changes in the economic and fiscal outlook. If the reserve is not required this year, the deficit is projected to be \$1.4 billion.



Statement of Financial Transactions (\$ Millions)					
	2001-02	2002-03	2003-04	Actual 2004-05	Current* Outlook 2005-06
<b>Revenue</b>	66,534	68,891	68,400	77,841	82,132
<b>Expense</b>					
Programs	53,932	57,204	62,104	67,009	71,224
Capital**	1,890	1,876	2,175	3,019	2,706
Interest on Debt	10,337	9,694	9,604	9,368	9,571
<b>Total Expense</b>	<b>66,159</b>	<b>68,774</b>	<b>73,883</b>	<b>79,396</b>	<b>83,501</b>
<b>Surplus / (Deficit) Before Reserve</b>	<b>375</b>	<b>117</b>	<b>(5,483)</b>	<b>(1,555)</b>	<b>(1,369)</b>
Reserve	-	-	-	-	1,000
<b>Surplus / (Deficit)</b>	<b>375</b>	<b>117</b>	<b>(5,483)</b>	<b>(1,555)</b>	<b>(2,369)</b>
Net Debt†	132,121	132,647	138,557	140,662	144,024
Accumulated Deficit†	132,121	118,705	124,188	125,743	128,112

\* Third-quarter fiscal forecast as at December 31, 2005.

\*\* Starting in 2002-03, major tangible capital assets owned by Provincial ministries (land, buildings and transportation infrastructure) are accounted for on a full accrual accounting basis. Other tangible capital assets owned by Provincial ministries will continue to be accounted for as expense in the year of acquisition or construction. All capital assets owned by consolidated government organizations are accounted for on a full accrual basis.

† Net debt is calculated as the difference between liabilities and financial assets. The annual change in Net Debt is equal to the Surplus/Deficit plus the change in tangible capital assets. Accumulated Deficit is calculated as the difference between liabilities and financial and tangible capital assets. The annual change in the Accumulated Deficit is equal to the Surplus/Deficit.

Selected Economic and Fiscal Statistics					
	2001-02	2002-03	2003-04	Actual 2004-05	Current* Outlook 2005-06
Gross Domestic Product (GDP) at Market Prices** (\$ Millions)	453,701	478,141	493,345	517,407	538,621
Ontario Population (000s) - July 1	11,898	12,102	12,260	12,407	12,541
Ontario Revenue as a per cent of GDP	14.7	14.4	13.9	15.0	15.2
Ontario Revenue Growth (%)	0.4	3.5	(0.7)	13.8	5.5
Ontario Total Expense as a per cent of GDP	14.6	14.4	15.0	15.3	15.5
Ontario Total Expense Growth (%)	2.7	4.0	7.4	7.5	5.2
Ontario Total Program Expense as a per cent of GDP	11.9	12.0	12.6	13.0	13.2
Ontario Total Program Expense Growth (%)	4.9	6.1	8.6	7.9	6.3
Ontario Interest on Debt as a per cent of Revenue	15.5	14.1	14.0	12.0	11.7
Ontario Interest on Debt as a per cent of Total Expense	15.6	14.1	13.0	11.8	11.5
Ontario Interest on Debt as a per cent of GDP	2.3	2.0	1.9	1.8	1.8
Ontario Surplus / (Deficit) as a per cent of GDP	0.1	0.0	(1.1)	(0.3)	(0.4)
Net Debt per capita (\$)	11,104	10,961	11,302	11,337	11,484
Net Debt as a per cent of GDP	29.1	27.7	28.1	27.2	26.7
Accumulated Deficit per capita (\$)	11,104	9,809	10,130	10,135	10,215
Accumulated Deficit as a per cent of GDP	29.1	24.8	25.2	24.3	23.8

\* Third-quarter fiscal forecast as at December 31, 2005.

\*\* Reflects Statistics Canada's Provincial Economic Accounts, 2005.

Sources: Ontario Ministry of Finance and Statistics Canada.



**ONTARIO ECONOMIC GROWTH STEADY**

- Ontario real GDP grew at a 2.8 per cent annual rate in the third quarter (July to September) of 2005. Growth was led by strong machinery and equipment investment expenditure, solid household spending and a rebound in exports.

**STEADY JOB CREATION IN 2005**

- In 2005, Ontario employment increased by 82,600 net new jobs, or 1.3 per cent compared to 2004. The unemployment rate fell to 6.6 per cent in 2005, its lowest annual level since 2001.

**RETAIL SALES GROWING**

- Over the first ten months of 2005, Ontario retail sales were 4.7 per cent higher than the same period in 2004.

**INFLATION REMAINS MODERATE**

- The Ontario CPI inflation rate rose to 2.1 per cent (year-to-year) in December from 2.0 per cent in November. In 2005, the Ontario CPI inflation rate was 2.2 per cent, up from 1.9 per cent in 2004.

**STRONG HOUSING MARKET ACTIVITY**

- Over the first eleven months of 2005, Ontario home resales were just 0.1 per cent lower than the record-setting pace of 2004. The average price for a resale home was up 7.8 per cent in November from a year earlier.

**NON-RESIDENTIAL BUILDING PERMITS STRONGER**

- Over the first eleven months of 2005, the value of Ontario building permits issued for commercial, industrial and institutional construction was 7.3 per cent higher than the same period in 2004.

**MANUFACTURING SHIPMENTS AND INTERNATIONAL EXPORTS EDGE UP IN 2005**

- Over the first eleven months of 2005, Ontario shipments were 0.8 per cent higher than the same period in 2004.
- Over the first eleven months of 2005, Ontario international exports were up 0.3 per cent from the same period in 2004, while imports were up 3.5 per cent.

KEY ECONOMIC INDICATORS (Per Cent Change from previous period, unless indicated otherwise)								
		Annual		Quarterly				
		2003	2004	04:3	04:4	05:1	05:2	05:3
<b>Output (Seasonally Adjusted at Annual Rates)</b>								
Real GDP	Ontario	1.6	2.7	6.1	2.7	2.1	2.3	2.8
Nominal GDP	Ontario	3.2	4.9	7.0	5.6	3.4	4.5	8.3
		Annual	Annual	Monthly 2005				
		2004	2005	Aug	Sep	Oct	Nov	Dec
<b>Other Indicators (Seasonally Adjusted)</b>								
<b>Labour Markets</b>								
Labour Force (Change in 000s)		103	75	9	1	24	(23)	(12)
Employment (Change in 000s)		108	83	10	17	21	1	(18)
Unemployment Rate (%)		6.8	6.6	6.6	6.4	6.4	6.1	6.2
<b>Household Sector</b>								
Retail Sales		3.2	N/A	(1.0)	(1.2)	1.0	N/A	N/A
Housing Starts (000s)*		85.1	N/A	63.5	70.9	61.1	81.5	84.8
MLS Home Resales**		7.0	N/A	10.8	7.3	4.0	3.5	N/A
<b>Manufacturing Shipments</b>								
Transportation Equipment		5.2	N/A	8.1	(5.6)	6.4	(5.5)	N/A
<b>Consumer Price Index**</b>								
		1.9	2.2	2.7	3.3	2.5	2.0	2.1
Sources: Statistics Canada, Ontario Ministry of Finance, Canada Mortgage and Housing Corporation, Canadian Real Estate Association and Ward's Automotive.								

\* Monthly housing starts are expressed at a seasonally adjusted annual rate.

\*\* Per cent change from a year earlier.

N/A = Data not available.



# **ONTARIO FINANCES**

## **FINANCIAL TABLES**

# REVENUE

(\$ Millions)	2005-06			
	Actual 2004-05	Budget Plan	Current* Outlook	In-Year Change
<b>TAXATION REVENUE</b>				
Personal Income Tax	19,320	20,026	20,251	225
Retail Sales Tax	14,855	15,475	15,475	-
Corporations Tax	9,883	9,248	9,488	240
Employer Health Tax	3,886	4,033	4,033	-
Ontario Health Premium	1,737	2,422	2,422	-
Gasoline Tax	2,277	2,308	2,288	(20)
Fuel Tax	727	733	733	-
Tobacco Tax	1,453	1,511	1,511	-
Land Transfer Tax	1,043	1,056	1,056	-
Electricity Payments-In-Lieu of Taxes	511	656	656	-
Other Taxes	283	258	258	-
	<b>55,975</b>	<b>57,726</b>	<b>58,171</b>	<b>445</b>
<b>GOVERNMENT OF CANADA</b>				
Canada Health Transfer (CHT)**	5,640	7,127	7,127	-
Canada Social Transfer (CST)***	2,912	3,311	3,311	-
CHST Supplements	775	584	584	-
Social Housing	522	520	520	-
Infrastructure Programs	209	293	293	-
Wait Times Reduction Fund	242	243	243	-
Medical Equipment Funds	387	194	194	-
Other Government of Canada	1,195	901	901	-
	<b>11,882</b>	<b>13,173</b>	<b>13,173</b>	<b>-</b>
<b>INCOME FROM INVESTMENT IN GOVERNMENT BUSINESS ENTERPRISES</b>				
Ontario Lottery and Gaming Corporation	1,992	1,941	1,941	-
Liquor Control Board of Ontario	1,147	1,186	1,186	-
Ontario Power Generation Inc. and Hydro One Inc.	444	887	887	-
Other Government Enterprises	(5)	5	5	-
	<b>3,578</b>	<b>4,019</b>	<b>4,019</b>	<b>-</b>
<b>OTHER NON-TAX REVENUE</b>				
Reimbursements	1,241	1,319	1,319	-
Electricity Debt Retirement Charge	997	1,018	1,018	-
Vehicle and Driver Registration Fees	976	1,017	1,017	-
Power Sales	610	961	961	-
Other Fees and Licences	506	510	510	-
Liquor Licence Revenue	489	502	502	-
Net Reduction of Power Purchase Contract Liability	236	396	396	-
Sales and Rentals	352	369	369	-
Royalties	278	236	236	-
Miscellaneous Other Non-Tax Revenue	721	441	441	-
	<b>6,406</b>	<b>6,769</b>	<b>6,769</b>	<b>-</b>
<b>TOTAL REVENUE</b>	<b>77,841</b>	<b>81,687</b>	<b>82,132</b>	<b>445</b>

\* Third-quarter fiscal forecast as at December 31, 2005.

\*\* Health Reform Fund included in CHT in 2004-05.

\*\*\*Includes 2005 Federal Budget additional Early Learning and Child Care revenues of \$272 million in 2005-06.



# OPERATING EXPENSE

(\$ Millions)	2005-06			
	Actual 2004-05	Budget Plan	Current* Outlook	In-Year Change
<b>MINISTRY</b>				
Agriculture, Food and Rural Affairs**	699	605	605	-
One-Time and Extraordinary Assistance†	458	-	-	-
Attorney General	1,175	1,199	1,201	2
Board of Internal Economy	145	167	167	-
Children and Youth Services	2,831	3,196	3,198	2
Citizenship and Immigration**	65	76	82	6
Community and Social Services**	6,372	6,603	6,603	-
Community Safety and Correctional Services	1,718	1,753	1,758	5
Culture	280	275	275	-
Democratic Renewal Secretariat	2	4	4	-
Economic Development and Trade**	80	448	448	-
Education**	10,565	11,340	11,340	-
Teachers' Pension Plan (TPP)	240	290	290	-
Energy	142	148	148	-
Environment	300	314	314	-
Executive Offices	19	19	19	-
Finance - Own Account**	1,049	1,092	1,092	-
Interest on Debt	9,368	9,796	9,571	(225)
Community Reinvestment Fund/Ontario Municipal Partnership Fund	626	662	662	-
Community Reinvestment Fund One-Time Transition Funding	233	-	-	-
Power Purchases	840	961	961	-
Contingency Fund**	-	557	402	(155)
Government Services**	889	663	663	-
Pension and Other Employee Future Benefits**	458	514	735	221
Health and Long-Term Care**	30,797	32,718	32,718	-
Health Promotion**	198	254	254	-
Intergovernmental Affairs	13	8	9	1
Labour	129	146	146	-
Municipal Affairs and Housing**	701	643	643	-
Natural Resources	484	492	584	92
Northern Development and Mines	78	111	116	5
Office of Francophone Affairs	3	4	4	-
Public Infrastructure Renewal**	29	51	51	-
Research and Innovation**	191	235	235	-
Secretariat for Aboriginal Affairs	19	14	45	31
Tourism**	146	139	139	-
Training, Colleges and Universities**	4,187	4,688	4,688	-
Transportation	848	975	975	-
Year-End Savings	-	(350)	(350)	-
<b>TOTAL OPERATING EXPENSE</b>	<b>76,377</b>	<b>80,810</b>	<b>80,795</b>	<b>(15)</b>

\* Third-quarter fiscal forecast as at December 31, 2005.

\*\* Preliminary allocations and historical restatements reflecting new ministry structure, pending finalization of restructuring currently underway.

† One-Time and Extraordinary Assistance refers to spending above "normal" levels due to unforeseen events. In 2004-05, low commodity prices and other unforeseen events resulted in one-time assistance totalling \$458 million to producers, including grain and oil seed producers and tobacco producers.

# CAPITAL EXPENSE

(\$ Millions)	2005-06			
	Actual 2004-05	Budget Plan	Current* Outlook	In-Year Change
<b>MINISTRY</b>				
Agriculture, Food and Rural Affairs**	243	271	271	-
Attorney General	34	75	75	-
Children and Youth Services	4	109	142	33
Community and Social Services**	20	33	33	-
Community Safety and Correctional Services	32	48	48	-
Culture	64	115	115	-
Economic Development and Trade**	5	2	2	-
Education**	54	10	10	-
Energy	52	49	49	-
Environment	7	13	13	-
Finance**	25	4	4	-
Government Services**	8	12	12	-
Health and Long-Term Care**	535	339	339	-
Health Promotion**	-	5	5	-
Municipal Affairs and Housing**	34	132	132	-
Natural Resources	79	53	53	-
Northern Development and Mines	242	421	264	(157)
Public Infrastructure Renewal**†	43	33	33	-
Capital Contingency Fund	-	175	117	(58)
Research and Innovation**	71	80	80	-
Secretariat for Aboriginal Affairs	2	3	3	-
Tourism**	65	88	88	-
Training, Colleges and Universities**	417	131	131	-
Transportation	983	622	837	215
Year-End Savings	-	(150)	(150)	-
<b>TOTAL CAPITAL EXPENSE ††</b>	<b>3,019</b>	<b>2,673</b>	<b>2,706</b>	<b>33</b>

\* Third-quarter fiscal forecast as at December 31, 2005.

\*\* Preliminary allocations and historical restatements reflecting new ministry structure, pending finalization of restructuring currently underway.

† Ministries' contributions for investments in Provincially owned land and buildings are recorded as an expense by the contributing ministries. Starting in 2002-03 any resulting adjustment to expense from the capitalization and amortization of most of these Provincially owned land and buildings is recorded in the Ministry of Public Infrastructure Renewal.

†† Starting in 2002-03, major tangible capital assets owned by Provincial ministries (land, buildings and transportation infrastructure) are accounted for on a full accrual accounting basis. Other tangible capital assets owned by Provincial ministries will continue to be accounted for as expense in the year of acquisition or construction. All capital assets owned by consolidated government organizations are accounted for on a full accrual basis.

## Schedule of Net Investment in Capital Assets – 2005-06 Current Outlook\*

(\$ Millions)

	Land and Buildings	Transportation Infrastructure	Government Organizations' Capital Assets	Total
Acquisition/Construction of Major Tangible Capital Assets	160	1,131	526	1,817
Amortization of Provincially Owned Major Tangible Capital Assets	(84)	(534)	(206)	(824)
<b>NET INVESTMENT IN CAPITAL ASSETS</b>	<b>76</b>	<b>597</b>	<b>320</b>	<b>993</b>

\* Third-quarter fiscal forecast as at December 31, 2005.

Source: Ontario Ministry of Public Infrastructure Renewal.

# ONTARIO'S 2005-06 FINANCING PROGRAM

Consolidated Province and Ontario Electricity Financial Corporation (\$ Millions)				
		2005-06		
	Actual 2004-05	Budget Plan	Current* Outlook	In-Year Change
Deficit/(Surplus)	1,555	2,796	2,369	(427)
Adjustments for:				
Non-Cash Items Included in Deficit	(1,000)	2,309	2,193	(116)
Amortization of Major Tangible Capital Assets	(801)	(824)	(824)	-
Acquisition of Major Tangible Capital Assets	1,388	1,817	1,817	-
Debt Maturities	15,284	20,500	20,238	(262)
Debt Redemptions	1,354	700	1,135	435
Canada Pension Plan Borrowing	(1,033)	(1,214)	(996)	218
Increase / (Decrease) in Cash and Cash Equivalents	-	-	(185)	(185)
Pre-funding for 2005-06	6,244	-	-	-
Decrease / (Increase) in Short-Term Borrowing	465	-	(975)	(975)
Other Uses / (Sources) of Cash	1,386	1,144	2,112	968
<b>Total Long-Term Public Borrowing Requirement</b>	<b>24,842</b>	<b>27,228</b>	<b>26,884</b>	<b>(344)</b>

\* Third-quarter fiscal forecast as at December 31, 2005.

Borrowing Program Status (as at December 31, 2005) (\$ Billions)			
	Completed	Remaining	Total
Province	18.3	6.2	24.5
Ontario Electricity Financial Corporation	1.4	1.0	2.4
<b>TOTAL</b>	<b>19.7</b>	<b>7.2</b>	<b>26.9</b>

- Long-Term Public Borrowing undertaken as at December 31, 2005, was \$19.7 billion as follows:

	(\$ Billions)
Ontario Savings Bonds	1.8
Domestic Issues	13.6
Global Issues/ US\$ Issues	2.1
Real Return Bonds	0.7
Euro Medium Term Notes	1.3
Other	0.2
	<b>19.7</b>

- The \$262 million decline in Debt Maturities is mainly due to the Province and investors exercising options to extend the term of four Ontario bond issues.

## ONTARIO'S 2005-06 FINANCING PROGRAM

---

- ♦ The \$435 million increase in Debt Redemptions is a result of higher redemptions of Ontario Savings Bonds (OSBs) in December 2005.
- ♦ The amount of \$218 million of Canada Pension Plan (CPP) borrowing was used to finance the early retirement of less cost-effective debt. This \$218 million is unavailable to reduce the Total Long-Term Public Borrowing Requirement.
- ♦ The increase in Other Uses/(Sources) of Cash is mainly attributable to projected short-term loans to the Ontario Power Authority (OPA) to bridge the timing of their cash flow requirements. This amount is being financed through short-term borrowing.



FISCAL SUMMARY (\$ Millions)	Interim 2005-06	2006-07		
		Budget Plan	Current* Outlook	In-Year Change
<b>Revenue</b>	<b>83,939</b>	<b>85,730</b>	<b>86,550</b>	<b>820</b>
<b>Expense</b>				
Programs	76,218	77,651	78,221	570
Interest on Debt	9,090	9,429	9,278	(151)
<b>Total Expense</b>	<b>85,308</b>	<b>87,080</b>	<b>87,499</b>	<b>419</b>
<b>Surplus/(Deficit) Before Reserve</b>	<b>(1,369)</b>	<b>(1,350)</b>	<b>(949)</b>	<b>401</b>
Reserve	–	1,000	1,000	–
<b>SURPLUS/(DEFICIT)</b>	<b>(1,369)</b>	<b>(2,350)</b>	<b>(1,949)</b>	<b>401</b>

\* First-quarter fiscal forecast as at June 30, 2006.

## 2006-07 FISCAL OUTLOOK

First-quarter results indicate that the government is on track to exceed its fiscal targets in 2006-07. The fiscal outlook for 2006-07 has improved by \$401 million from the forecast in the 2006 Budget. The improvement is mainly the result of stronger Corporations Tax revenues and lower interest on debt expense than projected at the time of the 2006 Budget. The deficit is now forecast at \$1.9 billion in 2006-07, \$0.9 billion if the reserve is not required by the end of the fiscal year.

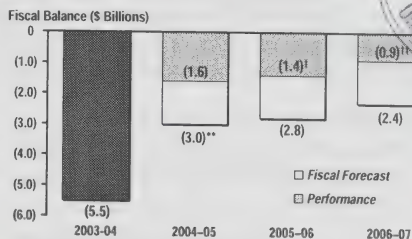
The government is committed to ongoing fiscal discipline and prudent fiscal management. The

Province's medium-term fiscal plan, outlined in the 2006 Budget, projected a balanced budget no later than 2008-09. Based on current fiscal conditions, the government is on track to fulfill this commitment.

By applying a responsible and disciplined approach to fiscal planning, the government has exceeded its fiscal targets while investing in key priority areas. The Province's fiscal plan has been put on a sound footing while the government has made historic and long-term investments in infrastructure, postsecondary education and training, education, health, and programs for Ontario's vulnerable persons and at-risk youth. The 2006-07 outlook remains prudent due to risks to the economic outlook including higher oil prices, further appreciation of the Canadian dollar and further easing in the pace of U.S. economic growth.

These improvements to the Province's fiscal position mean that Ontario's debt-to-GDP ratio (where debt is defined as accumulated deficit) continues to decline, from over 25 per cent in 2003-04 to about 20 per cent this year – the lowest it has been in 15 years.

## Ontario's Fiscal Performance\*



\* Based on the fiscal plan outlined in the 2005 Ontario Budget.

\*\* Interim forecast presented in 2005 Ontario Budget.

† Interim forecast presented in 2006 Ontario Budget.

†† First-quarter fiscal outlook projects a \$1.9 billion deficit, or \$0.9 billion if the \$1.0 billion reserve is not required.



**TERANET INCOME FUND INITIAL PUBLIC OFFERING (IPO)**

On June 16, 2006 the government announced that it would receive proceeds of more than \$500 million in relation to the completion of the IPO of Teranet Income Fund. The Province agreed to contribute \$54 million of its proceeds towards an overall \$116 million investment by Teranet for important service improvements and system enhancements to Ontario's electronic land registration system.

The initial revenue and expense pertaining to the transaction of the Teranet Income Fund IPO has been reflected in the first quarter fiscal outlook for 2006-07. While the final amount of revenue expected from the transaction will ultimately depend on the value of the fund's units when they are sold later this fiscal year, proceeds are currently estimated at \$570 million. This amount includes \$410 million in cash received from the IPO on June 16, 2006 and an estimated deferred payment of a further \$160 million which is based on the June 16<sup>th</sup> \$10 IPO unit price for 16 million income fund units. The cash to be received by the Province in a deferred payment will depend on the market price of income fund units at the time the Province's designees sell their income fund units and pay the Province the deferred payment. As such, the \$160 million could increase or decrease.

It is proposed that the Contingency Fund under the Ministry of Finance be increased by \$516 million as the government determines priority areas in which to invest the proceeds.

**CANADA-ONTARIO AGREEMENT (COA)**

The 2006 Budget outlined the revenue and expense impacts of the COA that are key elements of the Province's medium-term fiscal plan. The Budget also indicated that Ontario would work with the federal government to finalize the timing of the remaining funding under this Agreement. The Province continues to rely on the federal government's commitment to the COA and continues to work with it to ensure that all elements of the COA are honoured.

**2006 FEDERAL BUDGET TRUSTS**

The May 2006 federal budget proposed federal transfers of \$1.1 billion over three years to Ontario. These transfers are to be paid into third party trusts contingent on a federal surplus for 2005-06 being greater than \$5.6 billion. The Province will review its revenue outlook with respect to federal transfers when the 2005-06 Public Accounts of Canada are released later this year by the federal government.

**CONSOLIDATING HOSPITALS, SCHOOL BOARDS AND COLLEGES INTO THE PROVINCE'S FINANCES**

In the 2006 Budget, the government implemented a major change in the way that the finances of the Province are reported to the public. For the first time, the Province's financial reporting included the financial results of three important public-sector partners – hospitals, school boards and colleges of applied arts and technology. These sectors receive most of their funding from the taxpayers of Ontario. The outlooks provided in this quarterly update also reflect this change for fiscal years after 2004-05.

**CHANGE IN PRESENTATION**

Along with including the financial results of hospitals, school boards and colleges in the Province's fiscal outlook, the 2006 Budget presentation of expense changed to provide details on a total expense basis, rather than differentiating between operating and capital expense. This change in presentation is consistent with Public Sector Accounting Board principles, and is also reflected in this quarterly update.

## REVENUE AT \$86.6 BILLION

The 2006-07 revenue outlook, at \$86,550 million, is up \$820 million from the forecast in the 2006 Budget. Changes in the first quarter are:

- ◆ The Sales and Rentals revenue forecast has increased by \$570 million reflecting the expected gross amount of the Province's share of proceeds related to the Teranet Income Fund initial public offering (IPO) announced on June 16, 2006.
- ◆ The Corporations Tax revenue forecast has increased by \$250 million due to higher-than-anticipated payments related to 2005 tax return filing.

## TOTAL EXPENSE AT \$87.5 BILLION

The 2006-07 total expense outlook, at \$87,499 million, is up a net \$419 million from the forecast in the 2006 Budget, mainly due to an increase of \$570 million in program expense related to future investments to be financed through the proceeds from the Teranet Income Fund initial public offering (IPO), partially offset by \$151 million in interest on debt savings. Ministry program expense changes this quarter, and the corresponding offsets, include:

- ◆ Ministry of Economic Development and Trade: An additional \$2 million fully offset from the Contingency Fund to help Caledonia and surrounding businesses recover from the setbacks suffered as a result of the land dispute, as part of the government's broader strategy to provide support and assistance to the residents and businesses of Caledonia.
- ◆ Ministry of Education – School Boards: An increase of \$37 million in school boards' net expense to reflect announced enhancements to the 2006-07 Grants for Student Needs, fully offset from the Contingency Fund.
- ◆ Ministry of Energy: An additional \$10 million for the powerWISE® advertising campaign, which promotes energy conservation, and an additional \$3 million for a Smart Meter communication program, which will help explain how smart meters can provide benefits to consumers, both fully offset from the Contingency Fund.
- ◆ Ministry of Finance: An additional \$107 million for the Ontario Home Electricity Relief program that will provide one-time assistance to low-income Ontarians to help with rising electricity costs, fully offset from the Contingency Fund.
- ◆ Ministry of Finance – Contingency Fund: A net increase of \$336 million in the Contingency Fund, mainly due to an increase of \$516 million to account for priority projects to be funded by the proceeds from the Teranet Income Fund IPO in 2006-07, and partially offset by a decrease of \$180 million that was allocated to fund ministries' expense changes as outlined.
- ◆ Ministry of Government Services: An additional \$54 million for Teranet service improvements and system enhancements to Ontario's electronic land registration system, offset from proceeds from the Teranet Income Fund IPO. An additional \$15 million for migration of routine transactional services to ServiceOntario and the enhancement of other service channels, and \$6 million for the continuation of the supply chain management savings strategy, both fully offset from the Contingency Fund.

Interest on debt expense for the year is forecast to be \$151 million lower, as debt was issued in favourable terms at interest rates lower than those projected at the time of the 2006 Budget.

## RESERVE AT \$1.0 BILLION

The current fiscal outlook maintains a \$1.0 billion reserve to help achieve the government's overall fiscal objectives and to protect against unexpected and adverse changes in the economic and fiscal outlook.

STATEMENT OF FINANCIAL TRANSACTIONS					
(\$ Millions)	2002-03	2003-04	Actual 2004-05	Interim 2005-06	Current* Outlook 2006-07
<b>Revenue</b>	68,891	68,400	77,841	83,939	86,550
<b>Expense</b>					
Programs	59,080	64,279	70,028	76,218	78,221
Interest on Debt	9,694	9,604	9,368	9,090	9,278
Total Expense	68,774	73,883	79,396	85,308	87,499
<b>Surplus / (Deficit) Before Reserve</b>	<b>117</b>	<b>(5,483)</b>	<b>(1,555)</b>	<b>(1,369)</b>	<b>(949)</b>
Reserve	—	—	—	—	1,000
<b>Surplus / (Deficit)</b>	<b>117</b>	<b>(5,483)</b>	<b>(1,555)</b>	<b>(1,369)</b>	<b>(1,949)</b>
Net Debt <sup>†</sup>	132,647	138,557	140,662	142,961	146,362
Accumulated Deficit <sup>†</sup>	118,705	124,188	125,743	113,053	115,002

Note: Starting in 2005-06, the Province's financial reporting has been expanded to include hospitals, school boards and colleges using one-line consolidation. Total expense prior to 2005-06 has not been restated to reflect expanded reporting.

\* First-quarter fiscal forecast as at June 30, 2006.

<sup>†</sup> Net debt is calculated as the difference between liabilities and financial assets. The annual change in Net Debt is equal to the Surplus/Deficit of the Province plus the change in tangible capital assets and the change in net assets of hospitals, school boards and colleges. Accumulated Deficit is calculated as the difference between liabilities and total assets including tangible capital assets and net assets of hospitals, school boards and colleges. The annual change in the Accumulated Deficit is equal to the Surplus/Deficit. For fiscal 2005-06, the change in the Accumulated Deficit includes the opening combined net assets of hospitals, school boards, and colleges that were recognized upon consolidation of these Broader Public Service (BPS) entities.

SELECTED ECONOMIC AND FISCAL STATISTICS					
	2002-03	2003-04	Actual 2004-05	Interim 2005-06	Current* Outlook 2006-07
Gross Domestic Product (GDP) at Market Prices** (\$ Millions)	477,528	491,859	517,306	538,386	562,613
Ontario Population (000s) - July 1	12,102	12,260	12,407	12,541	12,696
Ontario Revenue as a per cent of GDP	14.4	13.9	15.0	15.6	15.4
Ontario Revenue Growth (%)	3.5	(0.7)	13.8	7.8	3.1
Ontario Total Expense as a per cent of GDP	14.4	15.0	15.3	15.8	15.6
Ontario Total Expense Growth (%)	4.0	7.4	7.5	7.4	2.6
Ontario Total Program Expense as a per cent of GDP	12.4	13.1	13.5	14.2	13.9
Ontario Total Program Expense Growth (%)	5.8	8.8	8.9	8.8	2.6
Ontario Interest on Debt as a per cent of Revenue	14.1	14.0	12.0	10.8	10.7
Ontario Interest on Debt as a per cent of Total Expense	14.1	13.0	11.8	10.7	10.6
Ontario Interest on Debt as a per cent of GDP	2.0	2.0	1.8	1.7	1.6
Ontario Surplus / (Deficit) as a per cent of GDP	0.0	(1.1)	(0.3)	(0.3)	(0.3)
Net Debt per capita (\$)	10,961	11,302	11,337	11,399	11,528
Net Debt as a per cent of GDP	27.8	28.2	27.2	26.6	26.0
Accumulated Deficit per capita (\$)	9,809	10,130	10,135	9,015	9,058
Accumulated Deficit as a per cent of GDP	24.9	25.2	24.3	21.0	20.4

\* First-quarter fiscal forecast as at June 30, 2006.

\*\* Reflects Statistics Canada's revisions to the National Income and Expenditure Accounts, and the Ontario Economic Accounts.

Sources: Ontario Ministry of Finance and Statistics Canada.

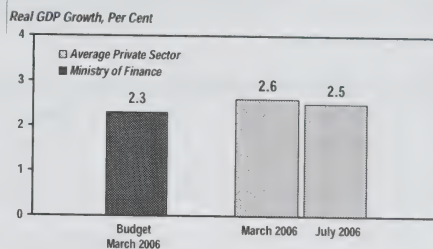


## ONTARIO ECONOMIC OUTLOOK

Moderate economic growth is expected in 2006, with real GDP rising by 2.3 per cent, after an increase of 2.8 per cent in 2005. The slower rate of economic growth reflects the appreciation of the Canadian dollar, continuing high oil prices, higher interest rates and an easing in the pace of growth in the U.S. economy.

The average private-sector forecast for Ontario economic growth is 2.5 per cent in 2006, down slightly from 2.6 per cent at the time of the Budget.

**Ontario Economic Outlook for 2006**  
2006 Budget and Average Private-Sector Forecast



## ONTARIO REAL GROSS DOMESTIC PRODUCT (GDP) GROWTH CONTINUES

- Ontario's real GDP grew by 0.4 per cent in the first calendar quarter of 2006. Growth was led by strong residential and business construction investment spending.

## SOLID JOB CREATION IN 2006

- Over the first six months of 2006, Ontario has gained 111,000 jobs compared to the same period last year, a 1.8 per cent increase. In June, Ontario gained 1,400 net new jobs, following strong increases in March (+31,200), April (+23,800) and May (+34,000). In June, the unemployment rate was 5.9 per cent, the lowest level in five years.
- In 2005, Ontario added 81,200 net new jobs for a gain of 1.3%. Full-time employment dominated job gains in 2005 with 71,000 net new jobs (+1.4%), while part-time employment increased by 10,200 (+0.9%). The unemployment rate averaged 6.6% in 2005, the lowest annual level since 2001.

## RETAIL SALES GROWING

- Over the first five months of 2006, Ontario retail sales were 4.8 per cent ahead of the same period in 2005.

## INFLATION REMAINS MODERATE

- The Ontario annual CPI inflation rate was 2.4 per cent (year-to-year) in June, down from 2.8 per cent in May. In 2005, the Ontario CPI Inflation rate was 2.2 per cent, up from 1.9 per cent in 2004.

## ACTIVITY IN HOUSING MARKET MODERATES

- Over the first six months of 2006, Ontario housing starts were 4.9 per cent lower than during the same period last year.
- Over the first five months of this year, Ontario home resales were 2.9 per cent higher than during the same period in 2005. The average price for a resale home was 6.9 per cent higher in May compared to a year ago.

## MANUFACTURING SHIPMENTS WEAKER / INTERNATIONAL EXPORTS IMPROVE IN 2006

- Over the first five months of 2006, Ontario manufacturing shipments were 2.8 per cent lower than the same period in 2005.
- So far this year, Ontario international exports were up 1.0 per cent from the first five months of last year, while imports were up 1.5 per cent.

<b>KEY ECONOMIC INDICATORS</b> (Per Cent Change from previous period, unless indicated otherwise)								
		<b>Annual Annual<sup>1</sup></b>		<b>Quarterly</b>				
		<b>2004</b>	<b>2005</b>	<b>05:1</b>	<b>05:2</b>	<b>05:3</b>	<b>05:4</b>	<b>06:1</b>
<b>Output (Seasonally Adjusted at Annual Rates)</b>								
Real GDP	Ontario	3.1	2.8	1.6	1.8	1.8	1.2	1.7
Nominal GDP	Ontario	5.2	4.1	1.3	2.5	5.2	1.1	2.3
		<b>Annual Annual<sup>1</sup></b>		<b>Monthly 2006</b>				
		<b>2004</b>	<b>2005</b>	<b>Feb</b>	<b>Mar</b>	<b>Apr</b>	<b>May</b>	<b>Jun</b>
<b>Other Indicators (Seasonally Adjusted)</b>								
<b>Labour Markets</b>								
Labour Force (Change in 000s)		99	74	(39)	27	29	14	5
Employment (Change in 000s)		103	81	(17)	31	24	34	1
Unemployment Rate (%)		6.8	6.6	6.2	6.1	6.2	5.9	5.9
<b>Household Sector</b>								
Retail Sales		3.2	4.7	(2.3)	3.1	1.3	(1.9)	N/A
Housing Starts (000s)*		85.1	78.8	80.0	76.3	71.7	78.1	80.1
MLS Home Resales**		7.0	(0.2)	7.0	8.2	(6.6)	2.2	N/A
<b>Manufacturing Shipments</b>								
Transportation Equipment		7.1	0.7	(1.2)	0.0	0.2	(1.6)	N/A
<b>Consumer Price Index**</b>								
		1.9	2.2	2.0	2.3	2.3	2.8	2.4
Sources: Statistics Canada, Ontario Ministry of Finance, Canada Mortgage and Housing Corporation, Canadian Real Estate Association and Ward's Automotive.								

\* Monthly housing starts are expressed at a seasonally adjusted annual rate.

\*\* Per cent change from a year earlier.

N/A = Data not available.



# **ONTARIO FINANCES**

## **FINANCIAL TABLES**

# REVENUE

(\$ Millions)	Interim 2005-06	2006-07		
		Budget Plan	Current* Outlook	In-Year Change
<b>Taxation Revenue</b>				
Personal Income Tax	21,028	21,671	21,671	—
Retail Sales Tax	15,523	16,165	16,165	—
Corporations Tax	9,729	9,845	10,095	250
Employer Health Tax	4,205	4,314	4,314	—
Ontario Health Premium	2,427	2,551	2,551	—
Gasoline Tax	2,288	2,303	2,303	—
Fuel Tax	737	742	742	—
Tobacco Tax	1,408	1,485	1,485	—
Land Transfer Tax	1,141	1,125	1,125	—
Electricity Payments-In-Lieu of Taxes	940	790	790	—
Other Taxes	314	283	283	—
	<b>59,740</b>	<b>61,274</b>	<b>61,524</b>	<b>250</b>
<b>Government of Canada</b>				
Canada Health Transfer (CHT)	7,139	7,619	7,619	—
Canada Social Transfer (CST)	3,318	3,420	3,420	—
CHST Supplements	584	—	—	—
Social Housing	531	530	530	—
Infrastructure Programs	289	359	359	—
Wait Times Reduction Fund	243	467	467	—
Medical Equipment Funds	194	—	—	—
Other Government of Canada	922	1,187	1,187	—
	<b>13,220</b>	<b>13,582</b>	<b>13,582</b>	<b>—</b>
<b>Income from Investment in Government Business Enterprises</b>				
Ontario Lottery and Gaming Corporation	1,953	1,743	1,743	—
Liquor Control Board of Ontario	1,182	1,254	1,254	—
Ontario Power Generation Inc. and Hydro One Inc.	1,090	919	919	—
Other Government Enterprises	(15)	4	4	—
	<b>4,210</b>	<b>3,920</b>	<b>3,920</b>	<b>—</b>
<b>Other Non-Tax Revenue</b>				
Reimbursements	1,301	1,358	1,358	—
Electricity Debt Retirement Charge	1,018	1,027	1,027	—
Vehicle and Driver Registration Fees	1,010	1,021	1,021	—
Power Sales	961	988	988	—
Other Fees and Licences	534	556	556	—
Liquor Licence Revenue	495	453	453	—
Net Reduction of Power Purchase Contract Liability	396	412	412	—
Sales and Rentals	336	396	966	570
Royalties	175	243	243	—
Miscellaneous Other Non-Tax Revenue	543	500	500	—
	<b>6,769</b>	<b>6,954</b>	<b>7,524</b>	<b>570</b>
<b>TOTAL REVENUE</b>	<b>83,939</b>	<b>85,730</b>	<b>86,550</b>	<b>820</b>

\* First-quarter fiscal forecast as at June 30, 2006.

# TOTAL EXPENSE

(\$ Millions)		2006-07		
Ministry	Interim 2005-06	Budget Plan	Current* Outlook	In-Year Change
Agriculture, Food and Rural Affairs	863	880	880	—
One-Time and Extraordinary Assistance	277	16	16	—
Attorney General	1,291	1,301	1,301	—
Board of Internal Economy	163	169	169	—
Children and Youth Services	3,346	3,264	3,264	—
Citizenship and Immigration	94	91	91	—
Community and Social Services	6,745	7,045	7,045	—
Community Safety and Correctional Services	1,806	1,887	1,887	—
Culture	454	366	366	—
Democratic Renewal Secretariat	3	10	10	—
Economic Development and Trade	230	351	353	2
Education	467	438	438	—
School Boards <sup>†</sup>	10,758	11,182	11,219	37
Teachers' Pension Plan (TPP)	295	408	408	—
Energy	207	229	242	13
Environment	302	302	302	—
Time-Limited Environmental Expense	25	—	—	—
Executive Offices	19	19	19	—
Finance – Own Account	1,226	1,060	1,167	107
Interest on Debt	9,090	9,429	9,278	(151)
Community Reinvestment Fund / Ontario Municipal Partnership Fund	708	731	731	—
Community Reinvestment Fund One-Time Transition Funding	—	—	—	—
Electricity Consumer Price Protection Fund	—	—	—	—
Power Purchases	961	988	988	—
Contingency Fund	50	995	1,331	336
Government Services	752	736	811	75
Pension and Other Employee Future Benefits	736	594	594	—
Health and Long-Term Care	19,157	20,328	20,328	—
Hospitals <sup>†</sup>	14,061	14,713	14,713	—
Health Promotion	258	363	363	—
Intergovernmental Affairs	10	9	9	—
Labour	146	150	150	—
Municipal Affairs and Housing	904	693	693	—
Natural Resources	635	682	682	—
Northern Development and Mines	357	347	347	—
Office of Francophone Affairs	4	4	4	—
Public Infrastructure Renewal	49	114	114	—
Contingency Fund	—	175	175	—
Research and Innovation	372	345	345	—
Secretariat for Aboriginal Affairs	49	21	21	—
Tourism	261	161	161	—
Training, Colleges and Universities	3,479	3,876	3,876	—
Colleges <sup>†</sup>	1,258	1,359	1,359	—
Transportation	2,208	1,943	1,943	—
Move Ontario	1,232	6	6	—
Year-End Savings	—	(700)	(700)	—
<b>TOTAL EXPENSE</b>	<b>85,308</b>	<b>87,080</b>	<b>87,499</b>	<b>419</b>

\* First-quarter fiscal forecast as at June 30, 2006.

<sup>†</sup> Starting in 2005-06 the Province's financial reporting has been expanded to include hospitals, school boards and colleges using one-line consolidation. As a result, these amounts reflect the net expense of these sectors.

## 2006-07 INFRASTRUCTURE EXPENDITURES

(\$ Millions)	Total Infrastructure Expenditures 2005-06 Interim	2006-07*		
		Investment in Capital Assets	Transfers and Other Expenditures in Infrastructure**	Total Infrastructure Expenditures
Transportation				
Transit	1,649	546	397	943
Highways	1,253	1,295	116	1,411
Other Transportation	494	2	60	62
Health				
Hospitals	274	305	—	305
Other Health	180	32	172	204
Education				
School Boards	1,031	—	1,110	1,110
Colleges	44	13	—	13
Universities	86	—	27	27
Water/Environment	337	10	226	236
Municipal and Local Infrastructure†	496	2	381	383
Justice	96	64	53	117
Other	497	275	232	507
<b>TOTAL††</b>	<b>6,437</b>	<b>2,544</b>	<b>2,774</b>	<b>5,318</b>

\* First-quarter fiscal forecast as at June 30, 2006, which is unchanged from the 2006 Budget.

\*\* Mainly consists of transfers for capital purposes to municipalities and universities, expenditures for servicing capital-related debt of schools, and expenditures for the repair and rehabilitation of schools. These expenditures are included in the Province's Total Expenses in the Total Expense Table.

† Municipal and local water and wastewater infrastructure investments are included in the Water/Environment sector.

†† Total expenditures include \$36 million in flow-throughs in Investment in Capital Assets (for provincial highways) and \$208 million in flow-throughs in Transfers and Other Expenditures in Infrastructure (\$31 million in Transportation, \$26 million in Water/Environment, \$150 million in Municipal and Local Infrastructure, and \$1 million in Other Infrastructure).

# ONTARIO'S 2006-07 FINANCING PROGRAM

## CONSOLIDATED PROVINCE AND ONTARIO ELECTRICITY FINANCIAL CORPORATION (\$ Millions)

	Interim 2005-06	2006-07		
		Budget Plan	Current* Outlook	In-Year Change
Deficit/(Surplus)	1,369	2,350	1,949	(401)
Adjustments for:				
Non-Cash Items Included in Deficit	3,904	1,058	1,058	—
Amortization of Major Tangible Capital Assets	(2,092)	(2,228)	(2,228)	—
Investment in Capital Assets	2,100	2,544	2,544	—
Debt Maturities	19,805	15,140	15,040	(100)
Debt Redemptions	1,134	700	900	200
Canada Pension Plan Borrowing	(996)	(351)	(351)	—
Increase/(Decrease) in Cash and Cash Equivalents	(1,485)	—	—	—
Decrease/(Increase) in Short-Term Borrowing	(1,771)	1,371	1,371	—
Other Uses/(Sources) of Cash	1,879	247	224	(23)
Total Long-Term Public Borrowing Requirement	23,847	20,831	20,507	(324)

\* First-quarter fiscal forecast as at June 30, 2006.

## BORROWING PROGRAM STATUS (AS AT JUNE 30, 2006) (\$ Billions)

	Completed	Remaining	Total
Province	4.8	12.2	17.0
Ontario Electricity Financial Corporation	0.6	2.9	3.5
<b>TOTAL</b>	<b>5.4</b>	<b>15.1</b>	<b>20.5</b>

Numbers may not add due to rounding.

- ◆ Long-Term Public Borrowing undertaken as at June 30, 2006, was \$5.4 billion as follows:

	(\$ Billions)
Ontario Savings Bonds	1.4
Domestic Issues	2.8
Global/US Dollar Issues	1.1
Euro Medium Term Notes	0.1
	<u>5.4</u>

- ◆ The \$100 million decline in Debt Maturities is mainly due to debt issues with callable or extendible features that were shifted into future years.
- ◆ The \$200 million increase in Debt Redemptions is a result of higher than forecast redemptions of Ontario Savings Bonds (OSBs) in June.





A20N  
R  
052

SUMMARY	Actual 2005-06	Budget Plan	2006-07	
			Current* Outlook	In-Year Change
Revenue	84,225	85,730	87,062	1,332
Expense				
Programs	74,908	77,651	78,807	1,156
Interest on Debt	9,019	9,429	9,204	(225)
Total Expense	83,927	87,080	88,011	931
Surplus/(Deficit) Before Reserve	298	(1,350)	(949)	401
Reserve	-	1,000	1,000	-
<b>SURPLUS/(DEFICIT)</b>	<b>298</b>	<b>(2,350)</b>	<b>(1,949)</b>	<b>401</b>

\* Third-quarter fiscal forecast as at December 31, 2006.

## 2006-07 FISCAL OUTLOOK – HIGHLIGHTS

Third-quarter results project that the Province's fiscal outlook remains on track for a deficit of \$1.9 billion in 2006-07, or \$0.9 billion if the reserve is not required. This represents a \$0.4 billion improvement from the 2006 Ontario Budget forecast, and is consistent with the projection reported in both the First Quarter Ontario Finances and the 2006 Ontario Economic Outlook and Fiscal Review.

The Province's medium-term fiscal plan, as outlined in the 2006 Budget, projected a balanced budget no later than 2008-09. Higher oil prices, the stronger Canadian dollar and a weaker outlook for economic growth in the United States have led to slower projected Ontario economic growth than was anticipated at the time of the 2006 Budget. As a result, the 2006 Economic Outlook and Fiscal Review released in October revised the medium-term fiscal outlook to include deficits of \$2.2 billion in 2007-08 and \$1.0 billion in 2008-09 – reflecting the impact of more moderate economic growth on Ontario's revenue outlook.

The government remains committed to eliminating the deficit. It will therefore continue to be prudent and disciplined in its approach to managing the Province's finances. This approach, in addition to ongoing strategic investments in health care, education, infrastructure, and postsecondary education and training, will continue to strengthen the economy and ensure that Ontario is well positioned to manage both the challenges and opportunities ahead.

## TERANET PROCEEDS FROM THE INITIAL PUBLIC OFFERING (IPO)

Last year, the government announced that it would receive net proceeds of \$519 million from the IPO of Teranet, which it would invest in priority projects. The 2006 Economic Outlook and Fiscal Review reported that \$326 million of the \$519 million was invested in priority areas such as rural development and infrastructure, transit vehicle assistance, and assistance to farmers. In the third quarter, the remaining proceeds were invested in an Economic Stimulus Package to boost jobs and economic growth in Ontario. Details on these investments can be found in the *Details of In-Year Changes* section in this document.

**REVENUE AT \$87.1 BILLION**

The 2006-07 revenue outlook, at \$87,062 million, is up \$18 million from the forecast in the 2006 Economic Outlook and Fiscal Review. This increase is due to higher federal transfers related to the Official Languages in Education program. This is fully offset by higher spending in this program.

The 2006-07 outlook maintains the prudent approach adopted in the 2006 Economic Outlook and Fiscal Review. Revenue information received to-date suggests the potential for higher Personal Income Tax revenues in 2006-07 based on processing 2005 tax returns. Since the 2006 Economic Outlook and Fiscal Review, Ontario economic growth, notably corporate profits, has been weaker than forecast. In addition, critical revenue information that could materially affect the forecast is not expected until later in the fiscal year, notably receipt of final 2006 Corporations Tax instalment payments from most of the non-financial sector. Given continued risks and uncertainties over the remainder of the fiscal year, the 2006-07 taxation revenue outlook remains unchanged at this time.

**TOTAL EXPENSE AT \$88.0 BILLION**

The 2006-07 total expense outlook, at \$88,011 million, is up a net \$18 million from the 2006 Economic Outlook and Fiscal Review, mainly due to additional in-year expense increases related to the Official Languages in Education program, fully offset by an increase of \$18 million in revenue due to higher federal payments related to this program. Ministry program expense changes this quarter, and corresponding offsets, include:

- ◆ Ministry of Community and Social Services: An increase of \$18 million to support the placement of individuals with developmental disabilities into community-based care, fully offset from the Operating Contingency Fund.
- ◆ Ministry of Community Safety and Correctional Services: An increase of \$20 million for the Ontario Provincial Police's extraordinary policing costs in the Town of Caledonia, fully offset from the Operating Contingency Fund.
- ◆ Ministry of Education: An additional \$10 million was provided in-year for the Official Languages in Education program, which supports the delivery of minority-language education and second-language instruction at the elementary and secondary levels, fully offset by revenues from the federal government.
- ◆ Ministry of Energy: An increase of \$7 million as part of the Ethanol Manufacturer's Agreement between Ontario and Suncor, which will provide a stable environment for investment in ethanol, fully offset from the Operating Contingency Fund.
- ◆ Ministry of the Environment: An additional \$4 million, fully offset from the Operating Contingency Fund, to support climate change and clean air measures; increase the efficiency of environmental assessments; improve information for waste management; and help sustain the province's source water supplies.
- ◆ Ministry of Finance: An increase of \$22 million for the Ontario Municipal Partnership Fund to provide municipalities with additional funding to assist with increased social programs and policing costs, fully offset from the Operating Contingency Fund.
- ◆ Ministry of Finance – Operating Contingency Fund: A decrease of \$111 million in the Operating Contingency Fund that was allocated to fund ministries' expense changes as outlined.

## IN-YEAR EXPENSE CHANGES, CONTINUED

- ◆ Ministry of Government Services: An increase of \$1 million to support the management of four main projects (ServiceOntario, e-Ontario, OSS Transactional Services and OSS Supply Chain Management) and the OPS-wide Accessibility Leadership Strategy, fully offset from the Operating Contingency Fund.
- ◆ Ministry of Municipal Affairs and Housing: An increase of \$1 million is supporting disaster relief assistance to the Township of Madawaska Valley for clean up and recovery following the August 2, 2006, tornado, fully offset from the Operating Contingency Fund.
- ◆ Ministry of Natural Resources: An additional \$28 million for the creation of the Northern Pulp and Paper Mill Electricity Transition program, fully offset from the Operating Contingency Fund. This new program will provide up to \$140 million over the next three years in electricity rebates to pulp and paper mills located in northern Ontario.
- ◆ Ministry of Public Infrastructure Renewal – Capital Contingency Fund: A decrease of \$1 million in the Capital Contingency Fund was allocated to the Ministry of Tourism for Old Fort William flood repairs.
- ◆ Ministry of Tourism: An increase of \$1 million to provide additional funding for rehabilitation of Old Fort William as a result of flooding, fully offset from the Capital Contingency Fund.
- ◆ Ministry of Training, Colleges and Universities: An increase of \$10 million was provided in-year to colleges to supplement quality improvement and enhancement funding, fully offset from the Operating Contingency Fund; and an additional \$8 million for colleges and universities was provided in-year for the Official Languages in Education program, which supports the delivery of minority-language education and second-language instruction at the postsecondary level, fully offset by revenues from the federal government.

## ECONOMIC STIMULUS PACKAGE

To assist Ontario workers and communities most affected by slower growth in the economy, the government allocated more than \$190 million from the net proceeds of the Teranet IPO remaining in the Operating Contingency Fund to an Economic Stimulus Package. The following are details of the ministry expense changes this quarter that were funded as part of the Economic Stimulus Package:

- ◆ Ministry of Agriculture, Food and Rural Affairs: An increase of \$3 million to support infrastructure in rural Ontario.
- ◆ Ministry of the Attorney General: An increase of \$4 million to conduct repairs and minor renovations to courthouses in smaller communities to address security, health, safety, accessibility and capacity issues.
- ◆ Ministry of Citizenship and Immigration: An additional \$2 million for infrastructure projects and other improvements to citizenship and social infrastructure, and \$1 million to support additional bridge-training programs and other services for newcomers.
- ◆ Ministry of Children and Youth Services: An increase of \$37 million for deferred maintenance for not-for-profit agencies that provide services to vulnerable populations.



## IN-YEAR EXPENSE CHANGES, CONTINUED

- ◆ Ministry of Community and Social Services: An increase of \$36 million for deferred maintenance for not-for-profit agencies that provide services to vulnerable populations.
- ◆ Ministry of Community Safety and Correctional Services: An increase of \$1 million to address security, capacity and accessibility issues in two regional coroners' facilities.
- ◆ Ministry of Culture: An increase of \$7 million to assist over 20 arts and heritage facilities across the province in refurbishing and restoring the sites' physical assets.
- ◆ Ministry of Economic Development and Trade: An additional \$2 million to support communities and people that are affected by slower economic growth; and to strengthen inter-provincial trade to match Ontario's industrial capacity to the industrial needs in Alberta.
- ◆ Ministry of Finance – Operating Contingency Fund: A decrease of \$170 million from the Teranet IPO proceeds in the Operating Contingency Fund, which was allocated to ministries as part of the Economic Stimulus Package.
- ◆ Ministry of Health Promotion: An increase of \$26 million for community infrastructure and multi-use facilities to promote physical activity, sport, and wellness in various communities throughout Ontario.
- ◆ Ministry of Tourism: An increase of \$22 million to encourage tourism in Ontario.
- ◆ Ministry of Training, Colleges and Universities: An additional \$20 million in-year to enhance the existing Adjustment Advisory Program by providing focused training and job services for laid-off workers and apprentices where plants have closed in communities most affected by slower growth in the economy; and \$9 million to colleges for new construction, renovations and deferred maintenance projects in 2006-07, with the remaining total cost estimated at \$21 million, amortized over 20 years.

Interest on debt expense for the year remains unchanged from the 2006 Economic Outlook and Fiscal Review at \$9,204 million. This is \$225 million lower than the 2006 Budget forecast due to cost-effective debt management and lower-than-forecast long-term interest rates.

## RESERVE AT \$1.0 BILLION

The current fiscal outlook maintains a \$1.0 billion reserve to help achieve the government's overall fiscal objectives, and to protect against unexpected and adverse changes in the economic and fiscal outlook.



## STATEMENT OF FINANCIAL TRANSACTIONS

(\$ Millions)	2002-03	2003-04	2004-05	Actual 2005-06	Current* Outlook 2006-07
<b>Revenue</b>	68,891	68,400	77,841	84,225	87,062
<b>Expense</b>					
Programs	59,080	64,279	70,028	74,908	78,807
Interest on Debt	9,694	9,604	9,368	9,019	9,204
<b>Total Expense</b>	68,774	73,883	79,396	83,927	88,011
<b>Surplus / (Deficit) Before Reserve</b>	<b>117</b>	<b>(5,483)</b>	<b>(1,555)</b>	<b>298</b>	<b>(949)</b>
Reserve	—	—	—	—	1,000
<b>Surplus / (Deficit)</b>	<b>117</b>	<b>(5,483)</b>	<b>(1,555)</b>	<b>298</b>	<b>(1,949)</b>
Net Debt†	132,647	138,557	140,921	141,928	145,345
Accumulated Deficit†	118,705	124,188	125,743	109,155	111,104

Note: Starting in 2005-06, the Province's financial reporting has been expanded to include hospitals, school boards and colleges using one-line consolidation. Total expense prior to 2005-06 has not been restated to reflect expanded reporting.

\* Third-quarter fiscal forecast as at December 31, 2006.

† Net debt is calculated as the difference between liabilities and financial assets. The annual change in Net Debt is equal to the Surplus/Deficit of the Province plus the change in tangible capital assets and the change in net assets of hospitals, school boards and colleges. Accumulated Deficit is calculated as the difference between liabilities and total assets including tangible capital assets and net assets of hospitals, school boards and colleges. The annual change in the Accumulated Deficit is equal to the Surplus/Deficit. For fiscal 2005-06, the change in the Accumulated Deficit includes the opening combined net assets of hospitals, school boards, and colleges that were recognized upon consolidation of these Broader Public Service (BPS) entities.

## SELECTED ECONOMIC AND FISCAL STATISTICS

	2002-03	2003-04	2004-05	Actual 2005-06	Current* Outlook 2006-07
Gross Domestic Product (GDP) at Market Prices** (\$ Millions)	477,763	493,219	517,608	537,657	553,787
Ontario Population (000s) – July 1	12,102	12,263	12,417	12,559	12,687
Ontario Revenue as a per cent of GDP	14.4	13.9	15.0	15.7	15.7
Ontario Revenue Growth (%)	3.5	(0.7)	13.8	8.2	3.4
Ontario Total Expense as a per cent of GDP	14.4	15.0	15.3	15.6	15.9
Ontario Total Expense Growth (%)	4.0	7.4	7.5	5.7	4.9
Ontario Total Program Expense as a per cent of GDP	12.4	13.0	13.5	13.9	14.2
Ontario Total Program Expense Growth (%)	5.8	8.8	8.9	7.0	5.2
Ontario Interest on Debt as a per cent of Revenue	14.1	14.0	12.0	10.7	10.6
Ontario Interest on Debt as a per cent of Total Expense	14.1	13.0	11.8	10.7	10.5
Ontario Interest on Debt as a per cent of GDP	2.0	1.9	1.8	1.7	1.7
Ontario Surplus / (Deficit) as a per cent of GDP	0.0	(1.1)	(0.3)	0.1	(0.4)
Net Debt per capita (\$)	10,961	11,299	11,349	11,301	11,456
Net Debt as a per cent of GDP	27.8	28.1	27.2	26.4	26.2
Accumulated Deficit per capita (\$)	9,809	10,127	10,127	8,691	8,757
Accumulated Deficit as a per cent of GDP	24.8	25.2	24.3	20.3	20.1

\* Third-quarter fiscal forecast as at December 31, 2006.

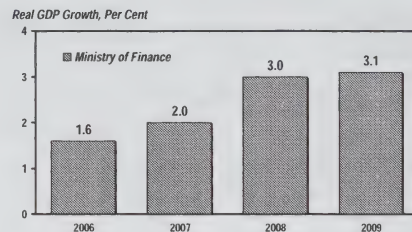
\*\* Reflects Statistics Canada's revisions to the National Income and Expenditure Accounts, and the Ontario Economic Accounts.

Sources: Ontario Ministry of Finance and Statistics Canada.

## ONTARIO ECONOMIC OUTLOOK

In the 2006 Economic Outlook and Fiscal Review, the Ministry of Finance projected real GDP growth of 1.6 per cent for 2006, 2.0 per cent in 2007, 3.0 per cent in 2008 and 3.1 per cent in 2009. These projections were below the average private-sector forecast at that time. The slower rate of economic growth in the near term reflects the appreciation of the Canadian dollar, continuing high oil prices, higher interest rates and an easing in the pace of growth in the U.S. economy. The current average private-sector forecast for Ontario real GDP growth is 1.5 per cent in 2006, 1.8 per cent in 2007, 3.0 per cent in 2008 and 3.2 per cent in 2009.

## Ontario Economic Outlook 2006 Economic Outlook and Fiscal Review



## ONTARIO REAL GROSS DOMESTIC PRODUCT (GDP) GROWTH PAUSES

- ◆ Ontario's real GDP edged lower by 0.1 per cent in the third calendar quarter of 2006. This decrease was due mainly to a decline in net trade as exports decreased while imports increased. Ontario's household and business sectors both posted solid growth moderating the impact of weaker net trade.

## SOLID JOB CREATION IN 2006

- ◆ Ontario created 37,400 net new jobs in December, the strongest monthly gain since August 2002. The unemployment rate fell by 0.3 percentage points to 6.1 per cent in December.
- ◆ In 2006, Ontario added 95,000 net new jobs for a gain of 1.5 per cent, up from a gain of 1.3 per cent in 2005. Full-time employment dominated job gains in 2006 with 98,200 net new jobs (+1.9 per cent), while part-time employment fell by 3,200 (-0.3 per cent). The unemployment rate averaged 6.3 per cent in 2006, the lowest annual level since 2001.
- ◆ Since October 2003, the Ontario economy has created 321,000 net new jobs. Over this same period, the unemployment rate has fallen from 7.0 per cent to 6.4 per cent in January 2007. Of these net new jobs, 241,800 or 75 per cent were in full-time positions.

## RETAIL SALES GROWING

- ◆ Over the first eleven months of 2006, Ontario retail sales were 4.3 per cent ahead of the same period in 2005.

## INFLATION REMAINS MODERATE

- ◆ The Ontario annual CPI inflation rate was 1.1 per cent (year-to-year) in December, unchanged from November. In 2006, the Ontario CPI inflation rate was 1.8 per cent, down from 2.2 per cent in 2005.

## ACTIVITY IN HOUSING MARKET MODERATES

- ◆ In 2006 there were 194,793 home resales in Ontario, the third best year on record, down 1.1 per cent from 2005.

## MANUFACTURING SHIPMENTS AND INTERNATIONAL EXPORTS WEAKER IN 2006

- ◆ Over the first eleven months of 2006, Ontario manufacturing shipments were 4.0 per cent lower than the same period in 2005.
- ◆ Ontario exports grew 3.0 per cent in November, following a 2.5 per cent gain in October (Ontario Ministry of Finance estimates). However, on a year-to-date basis, Ontario exports were down 1.9 per cent over the first eleven months of 2006, compared to the same period in 2005.

<b>KEY ECONOMIC INDICATORS</b> (Per Cent Change from previous period, unless indicated otherwise)								
		<b>Annual Annual</b>		<b>Quarterly</b>				
		<b>2004</b>	<b>2005</b>	<b>05:3</b>	<b>05:4</b>	<b>06:1</b>	<b>06:2</b>	<b>06:3</b>
<b>Output (Seasonally Adjusted at Annual Rates)</b>								
Real GDP	Ontario	3.2	2.8	0.5	0.3	0.4	0.2	(0.1)
Nominal GDP	Ontario	4.9	3.9	1.3	0.3	0.7	0.6	0.1
		<b>Annual</b>	<b>Annual</b>	<b>Monthly 2006</b>				
		<b>2005</b>	<b>2006</b>	<b>Aug</b>	<b>Sep</b>	<b>Oct</b>	<b>Nov</b>	<b>Dec</b>
<b>Other Indicators (Seasonally Adjusted)</b>								
<b>Labour Markets</b>								
Labour Force (Change in 000s)		74	78	(24)	7	(16)	21	18
Employment (Change in 000s)		81	95	(15)	(6)	2	18	37
Unemployment Rate (%)		6.6	6.3	6.4	6.6	6.3	6.4	6.1
<b>Household Sector</b>								
Retail Sales		4.7	N/A	1.1	(1.7)	(0.6)	0.7	N/A
Housing Starts (000s)*		78.8	73.4	66.8	63.8	69.8	68.1	65.9
MLS Home Resales**		(0.2)	(1.1)	(7.3)	(7.9)	(1.3)	(5.0)	6.4
<b>Manufacturing Shipments</b>								
Transportation Equipment		(0.9)	N/A	(2.4)	(5.4)	(0.5)	10.2	N/A
<b>Consumer Price Index**</b>								
		2.2	1.8	1.5	0.2	0.6	1.1	1.1

Sources: Statistics Canada, Ontario Ministry of Finance, Canada Mortgage and Housing Corporation, Canadian Real Estate Association.

\* Monthly housing starts are expressed at a seasonally adjusted annual rate.

\*\* Per cent change from a year earlier.

N/A = Data not available.



# **ONTARIO FINANCES**

## **FINANCIAL TABLES**



# REVENUE

(\$ Millions)	Actual 2005-06	2006-07		
		Budget Plan	Current* Outlook	In-Year Change
<b>Taxation Revenue</b>				
Personal Income Tax	21,041	21,671	22,321	650
Retail Sales Tax	15,554	16,165	16,165	—
Corporations Tax	9,984	9,845	9,585	(260)
Employer Health Tax	4,197	4,314	4,299	(15)
Ontario Health Premium	2,350	2,551	2,541	(10)
Gasoline Tax	2,281	2,303	2,303	—
Fuel Tax	729	742	742	—
Tobacco Tax	1,379	1,485	1,405	(80)
Land Transfer Tax	1,159	1,125	1,125	—
Electricity Payments-In-Lieu of Taxes	951	790	790	—
Other Taxes	292	283	283	—
	<b>59,917</b>	<b>61,274</b>	<b>61,559</b>	<b>285</b>
<b>Government of Canada</b>				
Canada Health Transfer (CHT)	7,148	7,619	7,619	—
Canada Social Transfer (CST)	3,324	3,420	3,420	—
CHST Supplements	584	—	—	—
Social Housing	520	530	530	—
Infrastructure Programs	285	359	359	—
Wait Times Reduction Fund	243	467	467	—
Medical Equipment Funds	194	—	—	—
Canada-Ontario Agreement	2	285	285	—
2006 Federal Budget Trusts	—	—	456	456
Other Government of Canada	951	902	920	18
	<b>13,251</b>	<b>13,582</b>	<b>14,056</b>	<b>474</b>
<b>Income from Investment in Government Business Enterprises</b>				
Ontario Lottery and Gaming Corporation	2,027	1,743	1,743	—
Liquor Control Board of Ontario	1,197	1,254	1,254	—
Ontario Power Generation Inc. and Hydro One Inc.	1,107	919	919	—
Other Government Enterprises	(23)	4	4	—
	<b>4,308</b>	<b>3,920</b>	<b>3,920</b>	<b>—</b>
<b>Other Non-Tax Revenue</b>				
Reimbursements	1,295	1,358	1,358	—
Electricity Debt Retirement Charge	1,021	1,027	1,027	—
Vehicle and Driver Registration Fees	763	1,021	1,021	—
Power Sales	779	988	988	—
Other Fees and Licences	550	556	556	—
Liquor Licence Revenue	516	453	453	—
Net Reduction of Power Purchase Contract Liability	396	412	412	—
Sales and Rentals	465	396	969	573
Royalties	191	243	243	—
Miscellaneous Other Non-Tax Revenue	773	500	500	—
	<b>6,749</b>	<b>6,954</b>	<b>7,527</b>	<b>573</b>
<b>TOTAL REVENUE</b>	<b>84,225</b>	<b>85,730</b>	<b>87,062</b>	<b>1,332</b>

\* Third-quarter fiscal forecast as at December 31, 2006.

# TOTAL EXPENSE

(\$ Millions)				
Ministry	Actual 2005-06	2006-07		
		Budget Plan	Current* Outlook	In-Year Change
Agriculture, Food and Rural Affairs**	865	880	880	—
One-Time and Extraordinary Assistance	282	16	125	109
Attorney General	1,291	1,301	1,305	4
Board of Internal Economy	150	169	169	—
Children and Youth Services	3,330	3,264	3,316	52
Citizenship and Immigration	93	91	94	3
Community and Social Services	6,737	7,045	7,124	79
Community Safety and Correctional Services	1,767	1,887	1,908	21
Culture	475	366	373	7
Democratic Renewal Secretariat	2	10	10	—
Economic Development and Trade	202	351	355	4
Education	418	438	446	8
School Boards <sup>†</sup>	10,886	11,182	11,229	47
Teachers' Pension Plan (TPP)	295	408	408	—
Energy	207	229	249	20
Environment	275	302	306	4
Executive Offices	19	19	19	—
Finance	1,034	1,060	1,167	107
Interest on Debt	9,019	9,429	9,204	(225)
Community Reinvestment Fund / Ontario Municipal Partnership Fund	714	731	753	22
Power Purchases	803	988	988	—
Operating Contingency Fund	—	995	1,011	16
Government Services	562	736	812	76
Pension and Other Employee Future Benefits	729	594	594	—
Health and Long-Term Care <sup>††</sup>	17,722	18,682	18,687	5
Hospitals <sup>†,††</sup>	14,816	16,359	16,463	104
Health Promotion	296	363	389	26
Intergovernmental Affairs	10	9	9	—
Labour	141	150	150	—
Municipal Affairs and Housing	928	693	694	1
Natural Resources	632	682	834	152
Northern Development and Mines	337	347	347	—
Office of Francophone Affairs	4	4	4	—
Public Infrastructure Renewal**	107	114	190	76
Capital Contingency Fund	—	175	168	(7)
Research and Innovation	370	345	345	—
Secretariat for Aboriginal Affairs	50	21	21	—
Tourism	210	161	184	23
Training, Colleges and Universities	3,529	3,876	3,899	23
Colleges <sup>†</sup>	1,185	1,359	1,383	24
Transportation	2,203	1,943	2,093	150
Move Ontario	1,232	6	6	—
Year-End Savings	—	(700)	(700)	—
<b>TOTAL EXPENSE</b>	<b>83,927</b>	<b>87,080</b>	<b>88,011</b>	<b>931</b>

\* Third-quarter fiscal forecast as at December 31, 2006.

\*\* The 2006-07 in-year change for Public Infrastructure Renewal includes a re-allocation of \$70 million for rural infrastructure spending that was reported in Agriculture, Food and Rural Affairs in the 2006 Economic Outlook and Fiscal Review.

† Starting in 2005-06 the Province's financial reporting has been expanded to include hospitals, school boards and colleges using one-line consolidation. As a result, these amounts reflect the net expense of these sectors.

†† The Budget Plan figures have been restated to reflect a change in the presentation of expense in the Health Sector to be consistent with the 2005-06 Public Accounts. This change in presentation does not affect total expense, or the surplus/deficit of the Province.

## 2006-07 INFRASTRUCTURE EXPENDITURES

(\$ Millions)	Total Infrastructure Expenditures 2005-06 Actual	2006-07*		
		Investment in Capital Assets	Transfers and Other Expenditures in Infrastructure**	Total Infrastructure Expenditures
Transportation				
Transit	1,541	546	547	1,093
Highways	1,237	1,295	116	1,411
Other Transportation	494	2	60	62
Health				
Hospitals	296	305	—	305
Other Health	166	32	172	204
Education				
School Boards	949	—	1,110	1,110
Colleges	44	34	9	43
Universities	88	—	27	27
Water/Environment	342	10	229	239
Municipal and Local Infrastructure†	455	2	486	488
Justice	84	64	57	121
Other	468	290	306	596
<b>TOTAL ††</b>	<b>6,164</b>	<b>2,580</b>	<b>3,119</b>	<b>5,699</b>

\* Third-quarter fiscal forecast as at December 31, 2006.

\*\* Mainly consists of transfers for capital purposes to municipalities and universities, expenditures for servicing capital-related debt of schools, and expenditures for the repair and rehabilitation of schools. These expenditures are included in the Province's Total Expenses in the Total Expense Table.

† Municipal and local water and wastewater infrastructure investments are included in the Water/Environment sector.

†† Total expenditures include \$36 million in flow-throughs in Investment in Capital Assets (for provincial highways) and \$208 million in flow-throughs in Transfers and Other Expenditures in Infrastructure (\$31 million in Transportation, \$26 million in Water/Environment, \$150 million in Municipal and Local Infrastructure, and \$1 million in Other Infrastructure).

# ONTARIO'S 2006-07 FINANCING PROGRAM

## CONSOLIDATED PROVINCE AND ONTARIO ELECTRICITY FINANCIAL CORPORATION (\$ Millions)

	Actual 2005-06	2006-07		
		Budget Plan	Current* Outlook	In-Year Change
Deficit/(Surplus)	(298)	2,350	1,949	(401)
Adjustments for:				
Non-Cash Items Included in Deficit	3,887	1,058	428	(630)
Amortization of Major Tangible Capital Assets	(815)	(2,228)	(2,277)	(49)
Investment in Capital Assets	1,675	2,544	2,580	36
Debt Maturities	19,805	15,140	14,627	(513)
Debt Redemptions	1,134	700	1,041	341
Canada Pension Plan Borrowing	(996)	(351)	(185)	166
Increase/(Decrease) in Cash and Cash Equivalents	(788)	—	—	—
Decrease/(Increase) in Short-Term Borrowing	(1,771)	1,371	1,517	146
Other Uses/(Sources) of Cash	2,014	247	743	496
Total Long-Term Public Borrowing Requirement	23,847	20,831	20,423	(408)

\* Third-quarter fiscal forecast as at December 31, 2006.

## BORROWING PROGRAM STATUS (AS AT DECEMBER 31, 2006) (\$ Billions)

	Completed	Remaining	Total
Province	13.7	3.2	16.9
Ontario Electricity Financial Corporation	2.3	1.2	3.5
<b>TOTAL</b>	<b>16.0</b>	<b>4.4</b>	<b>20.4</b>

Numbers may not add due to rounding.

- ◆ Long-Term Public Borrowing undertaken as at December 31, 2006, was \$16.0 billion as follows:

	(\$ Billions)
Ontario Savings Bonds	1.4
Domestic Issues	10.1
Global/US Dollar Issues	4.1
Euro Medium-Term Notes	0.4
	<b>16.0</b>

- ◆ The \$630 million decline in non-cash items included in the deficit is a result of the net impact of the \$1.1 billion cash transfer from the federal trusts.
- ◆ The \$49 million decline in amortization of major tangible capital assets is due to lower amortization for hospitals.
- ◆ The \$36 million increase in investments in capital assets reflects higher-than-expected acquisition of land and buildings.

## ONTARIO'S 2006-07 FINANCING PROGRAM

---

- ◆ The \$513 million decline in Debt Maturities is mainly due to debt issues with callable or extendible features that were shifted into future years.
- ◆ The \$341 million increase in Debt Redemptions is a result of higher-than-forecast redemptions of Ontario Savings Bonds.
- ◆ \$166 million in Canada Pension Plan (CPP) borrowing was used by the Province to repurchase outstanding debt and was therefore unavailable for long-term public borrowing.
- ◆ The \$146 million decrease in short-term borrowing is mainly due to a decline in Treasury Bills outstanding.
- ◆ The \$496 million increase in other uses of cash is mainly attributable to new loans to school boards, partially offset by other items such as lower-than-planned Ontario Power Generation loan utilization, and a reduced drawdown on the Ontario Power Authority line of credit.



## FISCAL SUMMARY (\$ Millions)

	Actual 2006-07	2007-08		
		Budget Plan	Current* Outlook	In-Year Change
Revenue	90,397	91,503	92,086	583
Expense				
Programs	79,297	82,030	82,269	239
Interest on Debt	8,831	9,123	9,067	(56)
Total Expense	88,128	91,153	91,336	183
Surplus / (Deficit) Before Reserve	2,269	350	750	400
Reserve	—	750	750	—
<b>SURPLUS / (DEFICIT)</b>	<b>2,269</b>	<b>(400)</b>	<b>0</b>	<b>400</b>

\* First-quarter fiscal forecast as at June 30, 2007.

## INTRODUCTION

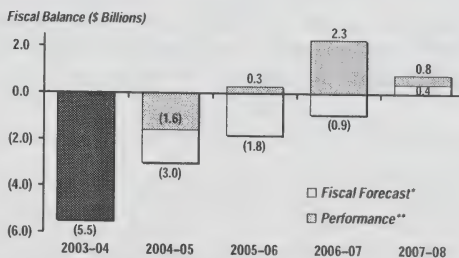
The fiscal outlook is in line with the steady improvement in the Province's finances since 2003-04, resulting from a growing economy and the government's commitment to prudent and disciplined fiscal management.

The government has made great progress in restoring the Province's finances to a healthy state, particularly given that when the government came into office in 2003, an independent review of Ontario's finances concluded that the Province was on track to post a significant deficit in 2003-04, which has since been confirmed to have been \$5.5 billion. In 2004-05 the deficit was reduced to \$1.6 billion, in 2005-06 Ontario posted a surplus of \$0.3 billion, and the Public Accounts of Ontario confirm a \$2.3 billion surplus in 2006-07 – the government's second consecutive surplus. Through prudent and disciplined fiscal management, the government has been able to quickly eliminate the deficit while still making major investments in priority areas such as health, education, infrastructure, social services and postsecondary education. As a result, the Province of Ontario is now on track to exceed its fiscal target for the fourth consecutive year.

## 2007-08 FISCAL OUTLOOK

First-quarter results indicate the fiscal outlook for 2007-08 has improved by \$400 million from the 2007-08 Budget Plan. The Province is now projecting a \$750 million surplus, or a balanced budget if the reserve is required. This improvement is primarily due to higher projected federal transfers and tax revenues, combined with lower expected interest on debt expense. In addition to balancing the budget, the government has been making strategic investments in climate change initiatives, child care, agriculture sector support and education, even in the face of an appreciating Canadian dollar, continuing high oil prices, higher interest rates and an easing in the pace of growth in the U.S. economy. The Province's improved fiscal performance so far this year will also contribute to a further improvement in Ontario's debt-to-GDP ratio which is now projected at 18.5 per cent in 2007-08.

## Ontario's Fiscal Performance



\* The 2004-05, 2005-06 and 2006-07 forecast, excluding the reserve, is based on the fiscal plan outlined in the 2005 Ontario Budget. The forecast for 2007-08 is as presented in the 2007 Ontario Budget, excluding the reserve.  
 \*\* The 2007-08 fiscal performance is the current outlook as at June 30, 2007, excluding the reserve. Actual results are presented for the years 2003-04 to 2006-07.

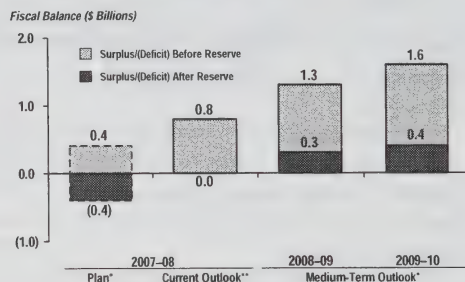
## MEDIUM-TERM FISCAL OUTLOOK

The medium-term fiscal outlook presented in the 2007 Ontario Budget projected surpluses of \$0.4 billion in 2007–08, \$1.3 billion in 2008–09, and \$1.6 billion in 2009–10 if the reserve is not required in each year. The government's *Pre-Election Report on Ontario's Finances*, released in late April, noted that fiscal results may improve for 2007–08 as a result of information received after the Budget was finalized, but that the 2008–09 and 2009–10 fiscal years were on track with the Budget plan for those years.

In his review of the Pre-Election Report, the Auditor General noted that the government's approach to prudent fiscal planning "tend(s) to make the fiscal plan conservative in nature." However, the Auditor General's review also noted that changes in the economic outlook, most notably the appreciating Canadian dollar, are a risk to the Province's fiscal plan and that the flexibility provided by prudent planning should more than offset any impact, underlining "the wisdom of the practice of building a healthy dose of prudence into the budget-revenue projections."

Consistent with this view, and taking into account the additional developments since the 2007 Budget, the government remains prudent in its medium-term fiscal targets, reflecting the greater uncertainties that exist further in the future. While the Province is now on track to post a balanced budget in 2007–08 even if the reserve is required, the updated medium-term fiscal plan takes into account the portion of higher revenue from 2006–07 that carries forward into 2007–08 and the remaining years covered by the plan, and reflects the fact that most of the increase is being invested in priority program areas. More information on the Province's medium-term fiscal plan and outlook will be provided in future fiscal updates.

**Ontario's Medium-Term Fiscal Plan**



\* As projected in the 2007 Ontario Budget.

\*\* As at June 30, 2007.

## GO GREEN ONTARIO

In the 2007 Budget, the government committed more than \$200 million over three years to expand opportunities for a greener Ontario. On June 18, 2007, as part of the government's Go Green Ontario climate change plan, the following greenhouse gas reduction targets were announced:

- ◆ 6 per cent below 1990 levels by 2014, or 61 megatonnes;
- ◆ 15 per cent below 1990 levels by 2020, or 99 megatonnes; and
- ◆ 80 per cent below 1990 levels by 2050.

In 2007–08 the government has unveiled a new bundle of programs under the climate change plan to help individual homeowners, municipalities and the industrial, commercial and institutional sector decrease their greenhouse gas emissions and conserve energy. A portion of funding is also going towards researching the impacts of climate change and developing clean energy technologies.

Over the medium and long term, these initiatives – in combination with the government's estimated \$11.5 billion contribution to the \$17.5 billion MoveOntario 2020 rapid transit plan and the \$650 million Next Generation Jobs Fund to encourage the development of cleaner cars, fuels and technologies – will help contribute to meeting the greenhouse gas reduction targets and strengthening the economy.

## REVENUE AT \$92.1 BILLION

The 2007–08 revenue outlook, at \$92,086 million, is \$583 million above the 2007 Budget forecast. This increase reflects the impacts of the 2007 federal budget as reported in the Pre-Election Report, new information on tax revenues, Ontario tax changes to promote energy efficiency, and other small revenue changes associated with expense changes. Revenue changes reported in the first quarter include:

- ◆ The **Personal Income Tax (PIT)** forecast increased by a net \$337 million. This is largely due to a \$400 million increase related to new information on 2006 tax return processing as reflected in 2006–07 Public Accounts. An estimated \$62 million decrease is due to measures introduced in the 2007 federal budget that Ontario is obligated to parallel under the current Tax Collection Agreement. An additional \$1 million decrease reflects the Province's announcement that it is remitting \$1 million in provincial personal income taxes paid by the Canadian Red Cross Society HIV Trust Fund since 2001.
- ◆ A \$36 million decrease in **Retail Sales Tax** related to the government's June 20, 2007, announcement of point-of-sale retail sales tax exemptions for ENERGY STAR® lights and appliances purchased, rented or leased after July 19, 2007, and before July 20, 2008.
- ◆ The **Corporations Tax (CT)** forecast increased by a net \$23 million. Strong payments related to 2006 taxes, as reflected in the 2006–07 Public Accounts, have boosted the outlook for 2007–08 by \$150 million. Tax measures announced by the Province on April 20, 2007, to parallel measures announced in the 2007 federal budget, have reduced the CT revenue outlook by \$127 million in 2007–08.
- ◆ **Canada Health Transfer (CHT)** increased by \$85 million due to changes introduced in the 2007 federal budget to move to a 10-province standard in the calculation of Equalization entitlements. This results in an increase in Equalization payments and Associated Equalization for receiving provinces, and an increase in CHT cash entitlements for non-receiving provinces such as Ontario.
- ◆ **Canada Social Transfer (CST)** increased by \$49 million resulting from information provided in the 2007 federal budget including a move to a per-capita basis for calculating CST entitlements and enhancements to support children.
- ◆ An increase of \$140 million in **Other Government of Canada** transfers, including \$107 million related to the 2007 federal budget announcement of funds for the patient wait times guarantee and an immunization program to provide the human papillomavirus vaccine, and \$33 million in funding mainly for costs incurred by the Province in responding to the Caledonia situation and for higher provincial spending for French-language education and food safety.
- ◆ In response to recommendations by the Ontario Ombudsman, the Alcohol and Gaming Commission of Ontario will implement enhanced regulations for the lottery system. This will be funded from **Ontario Lottery and Gaming** net income, resulting in a \$15 million decrease.



## TOTAL EXPENSE AT \$91.3 BILLION

The 2007–08 total expense outlook, at \$91,336 million, is \$183 million higher than forecast in the 2007 Budget, mainly due to a proposed \$230 million increase in the Operating Contingency Fund, combined with \$56 million in interest on debt savings. Ministry program expense changes this quarter, and the corresponding offsets, include:

- ◆ **Ministry of Agriculture, Food and Rural Affairs:** An additional \$54 million in new funding, which includes \$44 million to provide matching one-time funding for the federal Cost of Production Payment program announced in the 2007 federal budget; \$4 million for the removal of non-productive juice grape acreage that presents a risk to other grape crops in the Niagara region; and other funding including assistance to Ontario's honey bee industry, extending the Plum Pox Asset Loss Financial Assistance program, and funding under Go Green Ontario for the Ontario Biogas Systems Financial Assistance Program to help farmers and rural businesses carry out feasibility studies for the installation of biogas systems as well as cover a proportion of construction and implementation costs. All funding commitments are fully offset from the Operating Contingency Fund. A further \$4 million was provided to Ontario food producers to assist them with adopting additional food safety processes, offset by revenue from the federal government's Food Safety Initiative.
- ◆ **Ministry of Children and Youth Services:** An increase of \$93 million in funding to sustain more than 7,000 additional child care spaces, provide a wage increase of approximately three per cent for child care practitioners, and support higher-quality child care through ongoing health and safety training for child care supervisors, fully offset from the Operating Contingency Fund. A funding increase of \$4 million was also provided to create 300 new, culturally appropriate, physical child care spaces for Aboriginal children, fully offset from the Capital Contingency Fund.
- ◆ **Ministry of Education:** An additional \$3 million, fully offset by federal revenue, to support projects that enhance French-language education at the primary and secondary level in Ontario.
- ◆ **Ministry of Energy:** An increase of \$20 million, which includes funding to support five Go Green Ontario projects: home energy retrofit incentives; zero-interest loans for homeowners who install renewable energy systems; industrial, commercial and institutional sector incentives to use solar thermal equipment; a program with Ontario's green energy retailers to help Ontarians purchase 100 per cent green power; and funding for the Toronto Region Conservation Authority to secure the World Green Building Council headquarters in Toronto. All funding commitments fully offset from the Operating Contingency Fund.
- ◆ **Ministry of Finance – Operating Contingency Fund:** A net increase of \$2 million in the Operating Contingency Fund mainly due to the proposed increase of \$230 million from a portion of the revenue improvements identified since the 2007 Budget, which the government will invest in priority program areas, partially offset by a decrease of \$228 million that was allocated to fund ministries' operating expense changes as outlined.
- ◆ **Ministry of Government Services:** An increase of \$68 million for the transfer of responsibility and funding from the Ministry of Transportation for the ServiceOntario Private Issuer Network.

## IN-YEAR EXPENSE CHANGES, CONTINUED

- ♦ **Ministry of Natural Resources:** An increase of \$52 million which includes funding for additional personnel and equipment required to support forest fire-fighting, due to the above-average number of fires at the start of this season; and funding under Go Green Ontario for a multi-year study of the impact of climate change on seasonal on-ice movement patterns of Ontario's adult polar bears, all fully offset from the Operating Contingency Fund.
- ♦ **Ministry of Public Infrastructure Renewal:** Funding of \$5 million is available in 2007–08 from the three-year, \$20 million Municipal Eco Challenge Fund to provide grants to municipal governments to support projects that reduce greenhouse gas emissions, fully offset from the Operating Contingency Fund.
- ♦ **Ministry of Public Infrastructure Renewal – Capital Contingency Fund:** A decrease of \$6 million in the Capital Contingency Fund was allocated to fund ministries' capital expense changes as outlined.
- ♦ **Ministry of Tourism:** Special one-time funding of \$2 million to assist with the reconstruction of fire-damaged buildings and contents at Sainte-Marie Among the Hurons, Huronia Historical Parks, fully offset from the Capital Contingency Fund.
- ♦ **Ministry of Training, Colleges and Universities:** An additional \$2 million, fully offset by federal revenue, was provided to support projects that enhance French-language education at the postsecondary level in Ontario.
- ♦ **Ministry of Transportation:** An additional \$4 million for more frequent grass cutting and litter pickup along Ontario's busiest 400-series highways and the Queen Elizabeth Way (QEW), fully offset from the Operating Contingency Fund. Also, a decrease of \$68 million for the transfer of responsibility and funding to the Ministry of Government Services for the ServiceOntario Private Issuer Network.

**Interest on debt** expense for the year is forecast to be \$56 million lower, mainly due to a slower pace of borrowing than was forecast at the time of the 2007 Budget.

## RESERVE AT \$0.8 BILLION

The current fiscal outlook maintains a \$750 million reserve to protect against unexpected and adverse changes in the Province's revenue and expense outlook, including those resulting from changes in Ontario's economic performance.



**STATEMENT OF FINANCIAL TRANSACTIONS**

(\$ Millions)	2003-04	2004-05	2005-06	Actual 2006-07	Current* Outlook 2007-08
<b>Revenue</b>	68,400	77,841	84,225	90,397	92,086
<b>Expense</b>					
Programs	64,279	70,028	74,908	79,297	82,269
Interest on Debt	9,604	9,368	9,019	8,831	9,067
<b>Total Expense</b>	<b>73,883</b>	<b>79,396</b>	<b>83,927</b>	<b>88,128</b>	<b>91,336</b>
<b>Surplus / (Deficit) Before Reserve</b>	<b>(5,483)</b>	<b>(1,555)</b>	<b>298</b>	<b>2,269</b>	<b>750</b>
Reserve	—	—	—	—	750
<b>Surplus / (Deficit)</b>	<b>(5,483)</b>	<b>(1,555)</b>	<b>298</b>	<b>2,269</b>	<b>0</b>
Net Debt <sup>†,‡</sup>	138,816	140,921	141,928	141,100	142,845
Accumulated Deficit <sup>†</sup>	124,188	125,743	109,155	106,776	106,776

Note: Starting in 2005-06, the Province's financial reporting has been expanded to include hospitals, school boards and colleges using one-line consolidation.

\* First-quarter fiscal forecast as at June 30, 2007.

† Net Debt is calculated as the difference between liabilities and financial assets. The annual change in Net Debt is equal to the Surplus/Deficit of the Province plus the change in tangible capital assets and the change in net assets of hospitals, school boards and colleges. Accumulated Deficit is calculated as the difference between liabilities and total assets including tangible capital assets and net assets of hospitals, school boards and colleges. The annual change in the Accumulated Deficit is equal to the Surplus/Deficit. For fiscal 2005-2006, the change in the Accumulated Deficit includes the opening combined net assets of hospitals, school boards and colleges that were recognized upon consolidation of these Broader Public Sector (BPS) entities. For fiscal 2006-07, the change in the Accumulated Deficit includes an adjustment to the unfunded liability of the Ontario Electricity Financial Corporation made at the beginning of the year.

‡ Net Debt is restated in 2003-04, 2004-05 and 2005-06 to reflect the value of hydro corridor lands transferred to the Province from Hydro One Inc.

**SELECTED ECONOMIC AND FISCAL STATISTICS**

	2003-04	2004-05	2005-06	Actual 2006-07	Current* Outlook 2007-08
Gross Domestic Product (GDP) at Market Prices (\$ Millions)	493,416	518,053	539,403	558,879	576,204
Ontario Population (000s) – July 1	12,263	12,417	12,559	12,687	12,805
Ontario Revenue as a per cent of GDP	13.9	15.0	15.6	16.2	16.0
Ontario Revenue Growth (%)	(0.7)	13.8	8.2	7.3	1.9
Ontario Total Expense as a per cent of GDP	15.0	15.3	15.6	15.8	15.9
Ontario Total Expense Growth (%)	7.4	7.5	5.7	5.0	3.6
Ontario Total Program Expense as a per cent of GDP	13.0	13.5	13.9	14.2	14.3
Ontario Total Program Expense Growth (%)	8.8	8.9	7.0	5.9	3.7
Ontario Interest on Debt as a per cent of Revenue	14.0	12.0	10.7	9.8	9.8
Ontario Interest on Debt as a per cent of Total Expense	13.0	11.8	10.7	10.0	9.9
Ontario Interest on Debt as a per cent of GDP	1.9	1.8	1.7	1.6	1.6
Ontario Surplus / (Deficit) as a per cent of GDP	(1.1)	(0.3)	0.1	0.4	0.0
Net Debt per capita (\$)	11,320	11,349	11,301	11,122	11,155
Net Debt as a per cent of GDP	28.1	27.2	26.3	25.2	24.8
Accumulated Deficit per capita (\$)	10,127	10,127	8,691	8,416	8,339
Accumulated Deficit as a per cent of GDP	25.2	24.3	20.2	19.1	18.5

\* First-quarter fiscal forecast as at June 30, 2007.

Sources: Ontario Ministry of Finance and Statistics Canada.

## ONTARIO ECONOMIC OUTLOOK

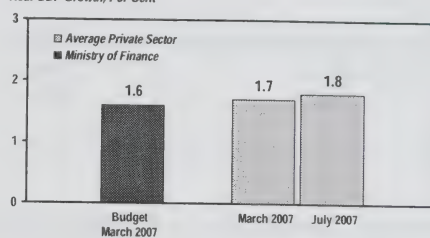
Moderate economic growth is projected in 2007, with real GDP rising by 1.6 per cent, following an increase of 1.8 per cent in 2006. The continued modest rate of economic growth reflects the appreciation of the Canadian dollar, continuing high oil prices, higher interest rates and an easing in the pace of growth in the U.S. economy.

The average private-sector forecast for Ontario economic growth is currently 1.8 per cent for 2007, up from 1.7 per cent at the time of the 2007 Budget.

### Ontario Economic Outlook for 2007

2007 Budget and Average Private-Sector Forecast

Real GDP Growth, Per Cent



## ONTARIO REAL GROSS DOMESTIC PRODUCT (GDP) UP IN JANUARY-MARCH QUARTER

- Ontario's real GDP grew by 0.7 per cent (2.7 per cent annualized) in the first calendar quarter of 2007, matching its rate of growth in the fourth quarter of 2006.
- The increase in real GDP was due mainly to net trade, as exports grew faster than imports.

## JOB CREATION STEADY IN 2007

- Over the first seven months of 2007, Ontario employment is up by 83,500 net new jobs (1.3 per cent), compared to the same period in 2006.
- Ontario employment advanced by 11,400 jobs in July, following an increase of 5,700 in June. The unemployment rate was 6.6 per cent in July.

## RETAIL SALES UP IN 2007

- Over the first five months of 2007, Ontario retail sales are 4.3 per cent higher than during the same period in 2006.

## INFLATION MODERATES IN JUNE

- The Ontario annual CPI inflation rate was 1.6 per cent in June (year to year), down from 1.9 per cent in May. The Ontario annual CPI inflation rate was 1.8 per cent in 2006.

## ACTIVITY IN HOUSING MARKET

- Ontario home resales surged 14.1 per cent in June (year to year) to 23,326 units, the second highest monthly level on record following an all-time high in May. On a year-to-date basis, home resales are up 9.0 per cent so far in 2007.
- Over the first seven months of 2007, Ontario housing starts are 16.2 per cent lower than during the same period in 2006.

## MANUFACTURING SHIPMENTS AND INTERNATIONAL EXPORTS IN 2007

- Over the first five months of 2007, Ontario manufacturing shipments are 0.7 per cent below their value for the same period last year.
- So far this year, Ontario international exports are 6.0 per cent ahead of the same period last year while imports are up 7.5 per cent.

<b>KEY ECONOMIC INDICATORS</b> (Per Cent Change from previous period, unless indicated otherwise)								
		<b>Annual</b>	<b>Annual</b>	<b>Quarterly</b>				
		<b>2005</b>	<b>2006</b>	<b>06:1</b>	<b>06:2</b>	<b>06:3</b>	<b>06:4</b>	<b>07:1</b>
<b>Output (Seasonally Adjusted at Annual Rates)</b>								
Real GDP	Ontario	2.9	1.8	2.7	1.4	0.2	2.6	2.7
Nominal GDP	Ontario	4.1	3.6	3.7	4.6	1.6	4.6	7.3
		<b>Annual</b>	<b>Annual</b>	<b>Monthly 2007</b>				
		<b>2005</b>	<b>2006</b>	<b>Mar</b>	<b>Apr</b>	<b>May</b>	<b>Jun</b>	<b>Jul</b>
<b>Other Indicators (Seasonally Adjusted)</b>								
<b>Labour Markets</b>								
Labour Force (Change in 000s)		74	78	28	(8)	(11)	21	17
Employment (Change in 000s)		81	95	12	(17)	12	6	11
Unemployment Rate (%)		6.6	6.3	6.5	6.6	6.3	6.5	6.6
<b>Household Sector</b>								
Retail Sales		4.8	4.1	2.1	(0.2)	1.8	N/A	N/A
Housing Starts (000s)*		78.8	73.4	55.8	63.1	75.8	62.0	64.7
MLS Home Resales**		(0.2)	(1.1)	(1.2)	11.8	15.1	14.1	N/A
<b>Manufacturing Shipments</b>								
Transportation Equipment		(0.9)	(9.3)	8.4	(8.3)	(2.6)	N/A	N/A
<b>Consumer Price Index**</b>								
		2.2	1.8	1.8	1.8	1.9	1.6	N/A

Sources: Statistics Canada, Ontario Ministry of Finance, Canada Mortgage and Housing Corporation, Canadian Real Estate Association.

\* Monthly housing starts are expressed at a seasonally adjusted annual rate.

\*\* Per cent change from a year earlier.

N/A = Data not available.

# **ONTARIO FINANCES**

## **FINANCIAL TABLES**

# REVENUE

(\$ Millions)	Actual 2006-07	2007-08		
		Budget Plan	Current* Outlook	In-Year Change
<b>Taxation Revenue</b>				
Personal Income Tax	23,655	23,285	23,622	337
Retail Sales Tax	16,228	16,682	16,646	(36)
Corporations Tax	10,845	10,605	10,628	23
Employer Health Tax	4,371	4,550	4,550	—
Ontario Health Premium	2,589	2,638	2,638	—
Gasoline Tax	2,310	2,401	2,401	—
Fuel Tax	723	741	741	—
Tobacco Tax	1,236	1,217	1,217	—
Land Transfer Tax	1,197	1,187	1,187	—
Electricity Payments-In-Lieu of Taxes	757	706	706	—
Other Taxes	399	307	307	—
	<b>64,310</b>	<b>64,319</b>	<b>64,643</b>	<b>324</b>
<b>Government of Canada</b>				
Canada Health Transfer (CHT)	7,702	8,104	8,189	85
Canada Social Transfer (CST)**	3,478	3,740	3,789	49
Social Housing	532	528	528	—
Infrastructure Programs	191	161	161	—
Wait Times Reduction Fund	467	468	468	—
Other Government of Canada	1,666	3,105	3,245	140
	<b>14,036</b>	<b>16,106</b>	<b>16,380</b>	<b>274</b>
<b>Income from Investment in Government Business Enterprises</b>				
Ontario Lottery and Gaming	1,945	1,801	1,786	(15)
Liquor Control Board of Ontario	1,307	1,343	1,343	—
Ontario Power Generation Inc. and Hydro One Inc.	947	840	840	—
Other Government Enterprises	(3)	2	2	—
	<b>4,196</b>	<b>3,986</b>	<b>3,971</b>	<b>(15)</b>
<b>Other Non-Tax Revenue</b>				
Reimbursements	1,415	1,491	1,491	—
Electricity Debt Retirement Charge	991	1,013	1,013	—
Vehicle and Driver Registration Fees	970	1,032	1,032	—
Power Sales	863	831	831	—
Other Fees and Licences	624	583	583	—
Liquor Licence Revenue	467	455	455	—
Net Reduction of Power Purchase Contract Liability	412	398	398	—
Sales and Rentals	1,108	429	429	—
Royalties	215	217	217	—
Miscellaneous Other Non-Tax Revenue	790	643	643	—
	<b>7,855</b>	<b>7,092</b>	<b>7,092</b>	<b>—</b>
<b>TOTAL REVENUE</b>	<b>90,397</b>	<b>91,503</b>	<b>92,086</b>	<b>583</b>

\* First-quarter fiscal forecast as at June 30, 2007.

\*\* Includes 2005 federal budget additional Early Learning and Child Care revenues of \$253 million in 2006-07.



# TOTAL EXPENSE

(\$ Millions)		2007-08		
Ministry Expense	Actual 2006-07	Budget Plan	Current* Outlook	In-Year Change
Aboriginal Affairs	25	28	28	—
Agriculture, Food and Rural Affairs	800	876	880	4
Attorney General	1,348	1,387	1,387	—
Board of Internal Economy	163	245	245	—
Children and Youth Services	3,260	3,574	3,671	97
Citizenship and Immigration	116	86	86	—
Community and Social Services	7,182	7,341	7,341	—
Community Safety and Correctional Services	1,876	1,927	1,927	—
Culture	410	350	350	—
Democratic Renewal Secretariat	6	8	8	—
Economic Development and Trade	199	327	327	—
Education	423	437	440	3
School Boards' Net Expense	11,290	11,989	11,989	—
Energy	229	290	310	20
Environment	314	325	325	—
Executive Offices	19	18	18	—
Finance	569	464	464	—
Ontario Municipal Partnership Fund	758	917	917	—
Francophone Affairs, Office of	4	4	4	—
Government Services	856	818	886	68
Health and Long-Term Care	19,162	20,043	20,043	—
Hospitals' Net Expense	16,145	17,509	17,509	—
Health Promotion	391	373	373	—
Intergovernmental Affairs	11	9	9	—
Labour	147	161	161	—
Municipal Affairs and Housing	843	760	760	—
Natural Resources	734	726	778	52
Northern Development and Mines	318	356	356	—
Public Infrastructure Renewal	426	138	143	5
Research and Innovation	316	325	325	—
Revenue	563	578	578	—
Small Business and Entrepreneurship	25	26	26	—
Tourism	204	195	197	2
Training, Colleges and Universities	4,110	4,402	4,404	2
Colleges' Net Expense	1,273	1,453	1,453	—
Transportation	2,733	1,977	1,913	(64)
<b>Other Expense</b>				
Capital Contingency Fund	—	175	169	(6)
Interest on Debt	8,831	9,123	9,067	(56)
MoveOntario	6	—	—	—
One-Time and Extraordinary Assistance to Agriculture Sector	278	20	74	54
Operating Contingency Fund	—	580	582	2
Pension and Other Employee Future Benefits	557	533	533	—
Power Purchases	863	831	831	—
Teachers' Pension Plan	345	349	349	—
Year-End Savings	—	(900)	(900)	—
<b>TOTAL EXPENSE</b>	<b>88,128</b>	<b>91,153</b>	<b>91,336</b>	<b>183</b>

\* First-quarter fiscal forecast as at June 30, 2007.

# 2007-08 INFRASTRUCTURE EXPENDITURES

(\$ Millions)	Total Infrastructure Expenditures 2006-07 Actual	2007-08*		
		Investment in Capital Assets	Transfers and Other Expenditures in Infrastructure**	Total Infrastructure Expenditures
Transportation				
Transit	1,624	598	394	992
Highways	1,426	1,549	154	1,703
Other Transportation	76	5	25	30
Health				
Hospitals	375	623	5	628
Other Health	183	50	176	226
Education				
School Boards	1,000	—	1,016	1,016
Colleges	73	184	—	184
Universities	52	—	71	71
Water/Environment	360	32	231	263
Municipal and Local Infrastructure†	473	2	249	251
Justice	102	89	42	131
Other	682	202	253	455
<b>TOTAL††</b>	<b>6,426</b>	<b>3,334</b>	<b>2,616</b>	<b>5,950</b>

\* First-quarter fiscal forecast as at June 30, 2007.

\*\* Mainly consists of transfers for capital purposes to municipalities and universities, expenditures for servicing capital-related debt of schools, and expenditures for the repair and rehabilitation of schools. These expenditures are included in the Province's Total Expenses in the Total Expense Table.

† Municipal and local water and wastewater infrastructure investments are included in the Water/Environment sector.

†† Total expenditures include \$86 million in flow-throughs in Investment in Capital Assets (for provincial highways) and \$160 million in flow-throughs in Transfers and Other Expenditures in Infrastructure (\$28 million in Transportation, \$45 million in Water/Environment and \$87 million in Municipal and Local Infrastructure).

# ONTARIO'S 2007-08 FINANCING PROGRAM

## CONSOLIDATED PROVINCE AND ONTARIO ELECTRICITY FINANCIAL CORPORATION (\$ Millions)

	Actual 2006-07	2007-08		
		Budget Plan	Current* Outlook	In-Year Change
Deficit / (Surplus)	(2,269)	400	0	(400)
Non-Cash Adjustments	1,720	(468)	(945)	(477)
Investment in Capital Assets	2,120	3,334	3,334	-
Net Loans/Investments	1,736	1,173	2,004	831
Debt Maturities	13,966	14,413	14,300	(113)
Debt Redemptions	1,041	887	1,000	113
<b>Total Funding Requirement</b>	<b>18,314</b>	<b>19,739</b>	<b>19,693</b>	<b>(46)</b>
Canada Pension Plan Borrowing	(185)	(431)	(431)	-
Decrease / (Increase) in Short-Term Borrowing	1,370	(550)	(539)	11
Increase / (Decrease) in Cash and Cash Equivalents	(804)	-	(1,050)	(1,050)
<b>TOTAL LONG-TERM PUBLIC BORROWING REQUIREMENT</b>	<b>18,695</b>	<b>18,758</b>	<b>17,673</b>	<b>(1,085)</b>

\* First-quarter fiscal forecast as at June 30, 2007.

## BORROWING PROGRAM STATUS (AS AT JUNE 30, 2007) (\$ Billions)

	Completed	Remaining	Total
Province	5.0	10.0	15.0
Ontario Electricity Financial Corporation	0.3	2.4	2.7
<b>TOTAL</b>	<b>5.3</b>	<b>12.4</b>	<b>17.7</b>

Numbers may not add due to rounding.

- ◆ Long-Term Public Borrowing completed as at June 30, 2007, totalled \$5.3 billion as follows:

	(\$ Billions)
Ontario Savings Bonds	1.3
Domestic Issues	2.9
Global/US Dollar Issues	1.1
	<b>5.3</b>

- ◆ The \$477 million decline in Non-Cash Adjustments is mainly due to additional cash transfers to the Province from the federal trusts.
- ◆ The \$831 million increase in Net Loans/Investments is mainly due to loans to Ontario Power Generation Inc. for general corporate purposes and for refinancing maturities.
- ◆ The \$113 million decline in Debt Maturities is mainly due to the Province not exercising call options on some of its debt issues.

## ONTARIO'S 2007-08 FINANCING PROGRAM

---

- ◆ The \$113 million increase in Debt Redemptions is a result of higher-than-forecast redemptions of Ontario Saving Bonds in June.
- ◆ The \$11 million change in short-term borrowing is a result of lower-than-expected drawdown of the Ontario Power Authority line of credit.
- ◆ The higher-than-forecast surplus in 2006-07 has reduced the 2007-08 cash needs for the Province by \$1,050 million.

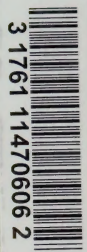












3 1761 11470606 2